FINANCIALTIMES

discharged, judge orders restart

Guinness trial, of four City of London businessmen, was halted after a juror asked to be excused on health grounds. The judge discharged the

entire jury at Southwark crown court, London Mr Ernest Saunders, former chairman and chief executive of Guinness, and three other businessmen have denied criminal charges arising from the 1986 takeover battle for the Distillers drinks group, Report and analysis, Page 10

Polish concern Poland wants to take part in

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consultations on Gern cation to ensure its horders and security are guaranteed, Prime Minister Tadeusz Mazowiecki said. Page 16 Mandela statement

Nelson Mandela held out the prospect of a negotiated settlement in South Africa before the end of the parliamentary term in 1994 and urged whites to support the Government. ANC under pressure, Page 4

UK concedes on HK Britain backed down after intense diplomatic pressure from China and agreed to slower democratic development in Hong Kong. Page 16

Afghan peace plan Eduard Shevardnadze, Soviet Foreign Minister, proposed demilitarisation of Afghanistan and a four-power peace conference ia a plan for ending the Afghan civil war. Page 4

China ethnic worries China's minister in charge of the 90m minority population expressed alarm over recent ethnic unrest across the border in the Soviet Union Page 4

Arens visits Bonn Moshe Arens, Israeli Foreign

Minister, flew to West Ger-many signalling a significant softening of Israeli concerns about German reunification.

Indian Airbus crash Indian Airlines Airbus crashed just before landing at Bangalore airport, southern India, killing 92 of the 146 passengers.

'Star Wars' mission US launched a rocket to deploy two spacecraft to test 'Star Wars anti-missile lasers, a mil-itary spokesman said.

Netherlands strikes The Netherlands was hit by a series of strikes as workers protested against job cuts and

Srinagar clashes Six people were killed in clashes between Moslem militants and security forces in Srinagar, Indian state capital

of Jammu and Kashmir, offi-US baseball row US baseball club owners locked out players in an arcane fight

over pay practices which threatens to delay the start of the season. Page 4 **Bucharest protests**

Bucharest was hit by anti-government street protests, and unrest within the Armed Forces led to strike action by military personnel. Page 2 Beer drinkers unite

Pilsen town, which gave its name to fine beer, is forming a Beer Drinkers Party to stand in Czechoslovakia's June elec-

INTERNATIONAL **DRUGS TRADE**

US President George Bush and Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia and Alan Garcia of Peru are scheduled to have a five-hour drug summit in Cartagena. It establishes for the first time the principle of co-responsibility for the drugs problem. Reports, Page 6

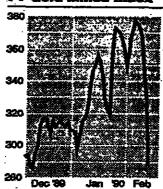
rier, British Airways

World News Business Summary **Guinness jury Home buyers** in the UK face rise in

Home buyers in the UK face a new round of mortgage interest rate increases after Abbey National, the second largest home loans and savings institution, raised its rates ahead

lenders by surprise, Abbey National increased its basic mortgage interest rate from 14.5 per cent to 15.4 per cent. Abbey National has also raised its rates to savers by 0.75 per-centage points. Page 19; Lex, Page 16

MARKETS: Johannesburg's cern over Nelson Mandela's hard-line stance on talks with



the South African Government and the issue of nationalisa-tion. Back page, Section II. West Germany's record-breaking run generated stock exchange turnover worth DM224bn in January. Activity improved in most other Euro-pean countries - except France, Back page, Section II.

Wall Street investment bank, which filed for bankruptcy, continued to dismantle its business, selling assets and securities, a process which appears to be going smoothly. Page 17

in January because of a cus tomary seasonal slump in exports and a big rise in the cost of oil imports. Page 16 HANSON GROUP of the UK will sell its 70 per cent stake in Mount Goldsworthy Mining biggest company. Page 17

TOYOTA Motor, Japanese auto maker, reported a 26.1 per cent increase in pre-tax profit to Y329.9bn (\$2.3bn) in the first

investigation. Page 10

DAIMLER-Benz, of West Germany, will report higher-than-expected group profits this year following a switch in accounting practice.

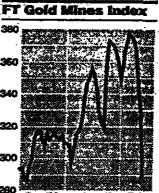
WESTLAND, UK helicopter manufacturer, has signed a memorandum of understanding with Aerospatiale of France and Messerschmitt-Bölto join the development project of a new army support project.

PRUDENTIAL Insurance company, of the US, and Jones Lang Wootton, UK property advisers, have linked with seven other financial institutions across the world to start a \$2bn property investment programme. Page 21

interest rates

of the market. In a move which took other

market plunged, with the JSE Gold index falling 108 to 1,921 while the industrial index sild to 3,051, a fall of 84. Foreign investors sold stock amid con-



DREXKL Burnham Lambert,

JAPAN'S merchandise trade surplus was almost wiped out Associates to BHP, Australia's

RRITISH AIRWAYS posted third-quarter profits of £71m, an increase of 39.2 per cent on the previous year. Page 17

EUROPEAN Commission has started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October. Page 3

half to December. Page 20 UK OIL companies were not colluding to keep the price of petrol artificially high the Monopolies and Mergers Com-mission found after a year-long

kow-Blohm of West Germany

Perrier to withdraw and destroy all stocks By William Dawkins in Paris

SOURCE PERRIER, the French mineral water group, is imme-diately to withdraw and destroy its world stocks of 160m bottles after the discovery of minute traces of benzene in some shipments.

The move, presented by the company last night as an attempt to wipe the slate clean after possibly the most serious setback in its history, will cost Perrier Ffr200m (\$1.15bn) after tax or Ffr400m before tax.
The announcement came as the French Stock Exchange

authorities launched an

inquiry into unusually heavy buying of Perrier options. The crisis, which blew up over the weekend, threatens to dent severely Perrier's world domi-nance in bottled water, "We do not want the slightest doubt, however small, to

weigh on our product's image of quality and purity," said Mr Gustave Leven, the group's 75 year-old chairman who refused to comment on the

stock exchange inquiry.

In Britain, Asda, a leading food retailer, said last night it was clearing its shelves of Per-

rier water and would be stock-ing up with its own-label bot-tled water instead.

Other retailers are expected to follow a similar course of action. Most of the large groups have procedures to fol-low in the event of difficulties

with products. Perrier officials estimated that it could take between two days and three weeks, depending on distance, to replace its stocks, which would normally represent two to three months' supply. Perrier production restarted on Monday after the

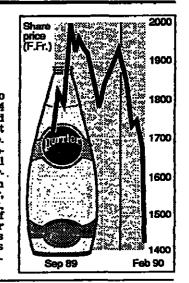
group's bottling lines, which are based in the southern French town of Vergèze, had been dismantled and cleaned.

The water had been declared pure by French national health authorities, said Mr Leven. Both the French and British ministries of health had con-firmed that Perrier posed no risk to health, he said.

Perrier's shares continued to fall in the after-shock of the weekend announcement that US public health officials had cancer. They dropped Ffr60 to Ffr1413 in Paris yesterday, 4 per cent down on the day and 16.5 per cent down since last Friday, before the crisis broke.

The group believed the mob-

The group believed the prob-lem was caused by a gradual build-up of benzene, immeasurably small quantities of which can naturally occur in water, in a filter in its French plant, rather than the introduction of benzene from cleaning fluid or some other outside source, as originally feared. All filters had been changed as a result. Continued on Page 16



Gorbachev urges tough laws as ethnic violence worsens

By Mark Nicholson in Moscow

Gorbachev called yesterday for tough laws to curb ethnic vio-lence in the Soviet Union. He was speaking amid reports that eight more people had been killed in continued clashes between troops and demonstra-tors in the Tadzhikistan capital of Dushanbe.

The Soviet leader told the opening session of the Supreme Soviet, the standing parliament, in dramatic terms that the laws would counter what he called dangerous fires of ethnic strife which had spread to Dushambe from Azer-bailan when we have the strife which had spread to Dushambe from Azer-bailan when we have the strip when the strip w spread to be sature from Aper-baijan, where more than 140 people died in disturbances in January. "There is a kind of chain

reaction accompanied by an reaction accompanied by an orgy of violence," Mr Gorbachev said. "The country's destiny and the safety of our people are at stake. We must do everything to put out the fire."

In spite of his words, however, the Soviet leader failed in his attempt to summon an emergency meeting of the Congress of People's Deputies—the country's summen constithe country's supreme consti-tutional authority — to extend the executive powers of the

presidency.

He had called for the Congress to be convened on February 27, saying that strong central powers were needed to tackle the crisis in the country. He said now was the time "to More time could finish off the

The deputies, however, insisted on debating the ques-tion before deciding on a date. Mr Gorbachev blamed the violence in Azerbaijan and Tadzhikistan on nationalist

among the mass of people and pash young people, women and



Supreme Soviet yesterday

posed laws on ethnic violence, though he said they had been drafted and would be adopted

as soon as possible.

Mr Gorbachev's speech preceded a third day of clashes throughout the Tadzhikistan capital in which local residents contacted by telephone said troops were firing at crowds in the streets from armoured vehicles.

children to the fore, forcing phone, said that troops which them nearly at gunpoint to make statements and sign makes statements and sign acts," he said to be signatured on Monday night had not manacts," he said.

He gave no details of the promotion to the signature of the sign

nder control.

Tass, the Soviet news but its roots are economic, city "deteriorated sharply" yesterday.

Moscow media reports have said that 37 people were killed in Dushanbe during unrest on Monday and Tuesday, apparently sparked by anger at rumours of privileged housing treatment being given to Armenian refugees.

The Tadzhikistan news agency, also reached by tele-

day as troops opened fire on rioting crowds. However, interior ministry officials yester-day put the death toll since riots began on Monday at just

Interfax, the Moscow radio service, said rioting continued day and night in the city, with gangs of youths raiding shops and private houses, smashing up vehicles and attacking bystanders. It said residents were forming self-defence units. It spoke of large groups of young men wearing traditional costumes roaming the streets and said: "Dozens of young girls have been raped and beaten for failing to wear folk kerchiefs or for having short hair."

Glasnost, an unofficial radi-cal publication, said the distur-bances had been fomented by a small group of militant Mos-lems from Azerbaijan who arrived in Dushanbe at the weekend and spread the rumours about Armenians. Dushanbe has a critical

housing shortage and locals often have to wait up to 10 years to receive accommodation from city authorities. However, western analysts yesterday treated with caution

claims that the disturbances arose from Moslem fundamen-talism. "Islam might be a conve-

of any pan-Islamic uprising."
Iran's state-run radio yesterday broadcast a warning to Moscow not to use violence against the Tadzhiks, a people closely linked by language and culture to northern Iranians. Iranian diplomats in Moscow refused to comment on the

rebort ass demonstrations planned,

Banks freeze funds after new **Eurotunnel row**

By Andrew Taylor in London

A FRESH row has broken out between Eurotunnel and con-tractors building the Channel tunnel which is threatening temporary financing arrange ments agreed last month with the group's bankers.

The banks have frozen any further payments to the project until the two sides can reach agreement on management changes proposed at Eurotun-nel. The contractors insisted on the changes as a precondition to signing the temporary financing agreement. The five British and five

French construction companies have declined to sign the agreement. They are unhappy with Eurotunnel's proposals which, they say, would make Mr Alastair Morton chief executive as well Eurotunnel's joint chairman.

They have also started legal proceedings in Nanterre in France against Eurotunnel for non-payment of money due this month to Transmanche Link, the construction consor-

Eurotunnel refused to comment last night after a day which saw the group's shares falling 34p to 584p.

Under the temporary finance

ing agreement, Eurotunnel would be permitted to spend up to £400m (\$676m) during the next few months to allow construction to continue while extra finance to complete the project is raised.

The latest row, however, illustrates the deep rift between the contractors Mr Morton who has publicly criticised their performance, blaming them for delays and the mounting cost of the project. This has risen to £7.2bm from an original forecast of

£4.8bn.
A letter sent by Mr Peter Costain on behalf of the ten contractors to Mr Morton last month accused him of making statements that were "inaccurate, incomplete and calculated to mislead."

It continued: "You are quite well aware that we would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed. If the project is to survive, a dramatic improvement in the way that the owner exercises its management of the contract is essential."

The contractors had hoped that a new chief executive would act as a buffer between them and the combative Mr Morton, who would be left free to concentrate on raising fresh

finance. Under the changes proposed by Eurotunnel, however, Mr Morton would take over a new post of chief executive while Mr Alastair Fleming, currently a senior executive with BP Oil, would take over responsibility

for the construction contract. The contractors say one of the main reasons for the increased cost of the project has been changes in specifications made by Eurotunnel. The changes follow demands for greater safety and security after a series of fatal railway accidents in Britain and France in recent years.

The contractors say Mr Mor-ton's confrontational approach to the project has made it difficult to develop common strategies to cope with the problems of extra costs.

EC states expected to bring forward economic union talks

By John Wyles in Rome and Philip Stephens in London

EUROPEAN COMMUNITY member states are expected to agree shortly to bring forward, possibly to July, their negotiations on a plan for achieving economic and monetary union on which talks had been due to

heein in December. Soundings are being made in Community capitals by the governments of Ireland, which is current holder of the EC presidency, and of Italy, which takes over in July. EC officials say the emerging response is broadly favourable, although they say reservations are

expected from London. The British feeling is that any decision to bring forward the conference would be pre-mature as preparatory work among senior finance ministry officials and central bankers has only just got underway. It also sees German monetary union as further complicating the process of closer European integration, therefore necessi-tating more, not less, detailed work before a full conference is

strongly that West and East German moves must be paral-leled by an equivalent attempt to achieve EC economic and monetary union (EMU) - hence its desire for an early intergovernmental conference.

Mr Giulio Andreotti, Italian Prime Minister, and President François Mitterrand of France agreed during talks in Paris on ing with all haste towards such Tuesday that the Italian initial links with East Berlin is seen tive should go forward. The French president implicitly endorsed it in an interview published yesterday by eight french regional newspapers.

"I think that the acceleration of the inter-German process should be reserved by

should be accompanied by acceleration of the European process. Why wait until December, for example, to hold the inter-governmental confer-ence scheduled for that purpose?" the French President said. ently believe a decision to accelerate EC integration

would help reassure the Soviet

Union that German reunifica-

Community framework. Moreover, both were unhappy at last December's EC summit in Strasbourg that Mr. Helmut Kohl, West German Chancellor, was not prepared to hold the conference before his national elections this Novem-

The fact that he is now movas somewhat invalidating his original political caution over the same process at a Euro-

pean level. Rome is also keen to establish a political link between German and Community moves towards EMU, believing that Bonn-Berlin moves will have an impact on the EC overall. Italian ministers want to ask the European Commiss to supplement a report on EMU it is due to produce by the end of March with another as ing the probable effects of the

Continued on Page 16 Politics of the Mark; Page 14: Dutch may move on the guilder; Page 16

STOCK INDICES

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Goodbye, paintshop. Hello, Colorcoat.

There are obvious advantages to buying steel ready-painted. Particularly if you buy a lot of it, like they do in the construction and domestic appliance

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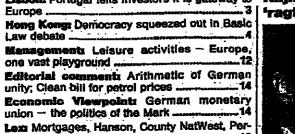
(Its effects on overheads and cashflow are also likely to be beneficial.) We clothe our steels in many coats besides paint,

such as larrinates and thin film coatings. They're just a few of the added values which are selling British steel all over the world.



WE'RE ADDING VALUE AT BRITISH STEEL.

Italy, however, feels equally CONTENTS



Technology: Communications - ground control to trucker Tom 28

Lisbon: Portugal tells investors it is gateway to Najibullah thrives while the 'ragtag' resistance wanes



A year ago, the gov-emment of President Najibuliah in Aighanistan was top of everyone's list as the communist regime most likely to fall. Today, its guerrilla enemies look further from victory than ever.

Observer Stock Merkets -London

STERLING New York close \$1:6955 (1.691) DM2 835 (san FFr9.645 (9,6375) SFr2.53 (same) Y244.75 (244.0) £ index 89.4 (same) \$420.7 (422)

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New York close

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SFr1.492 (1.4965) Y144.25 (144.35) S index 67.0 (67.1) US Lunchtime R Fed Funds 818% 3-mo Treasury Bills:

332.01 (+0.88)

EUROPEAN NEWS

The division of Germany is a yawning chasm on supermarket shelves

E Germans hope for consumer revolution

By Andrew Fisher in Berlin

AS THE two Germanys speed towards unity more quickly than most people dreamed possible even a few weeks ago, the hope among poorer East Germans is that their living standards can rapidly

approach those of the West. But a rapid comparison of shops on both sides of the Wall that once divided Berlin shows that East Germany has a lot of catching up to do. The price of a basket of basic goods is certainly a lot cheaper in the east. But West German consumers have the advantages of greater choice and far better quality, a shopping environment that is mostly pleasant and friendly rather than starkly utilitarian,

In a big supermarket near the centre of East Berlin beneath the huge television tower, a litre of milk costs 66 East German plennigs. A loaf of bread is 80 plennigs and 5kg of potatoes I Mark. A few kilometers away, in the pulsating centre of West Berlin, the milk costs DM1.50, the bread DM4 and the potatoes also about DM4.

However, the comparisons must be seen against the widely differing pay nackets of

East German West German D-Mark Milk († litre): 1.50 0.66 Potatoes:(5 kg) 1.00 4.00 Pork (1 kilo) 10.00 17.00 Seer (1 bottle) 1,30 0.80 6.50* instant collee 15.00** 20 claarettes 4.00 Soap (1 bar) Load of bread 4.00 0.80 2.20 Butter 2.20 . In East Germany 1:0" Mark gridely = 3 E.German Mark ±100 gm ±± 50 gm

the two Germanys and the exchange rate. Currently, the official East German exchange rate is 3 Marks for DM1. But at least five-to-one can be obtained in the west and not long ago the unofficial rate was 10 to one. Some East German economists and politicians want a one-to-one rate in the event of a currency Shopping comparisons exclude rents, which are incredibly lew in East Germany after decades of subsidised accommodation. In West Germany, they are vastly higher and rising. But the income difference is

also big. The average monthly net wage in East Germany is about 1,000 Marks; in West Germany, it is nearer DM2,500. But then productivity in East Germany is put at roughly half that of West Germany.

Nor do the prosperous West Germans have to wait patiently for a little wire basket before being allowed into their supermarket. In East Germany they have to queue before entering, and then again at slow check-outs. The range of goods is limited and boringly packaged, and quality

often poor.
And that is in East Berlin, And that is in East Berlin, whose citizens have mostly been better provided for than elsewhere in the country. Supermarkets in the east have nothing like the colourful displays of pineapples, bananas, kiwi fruit and other exotic products that supermarkets in Berlin and other West German cities other West German cities



West Germany's Finance Minister, Mr Theo Waigel (left) and Mr Helmut Haussmann, his colleague at the Economics Ministry, get their heads together before a cabinet meeting yesterday to discuss a supplementary budget for aid to East Germany

Allies signal imminent end to policing of flights to E Berlin

man economy.

Bonn and East Berlin have

agreed to start detailed talks

next week on economic and

monetary union, but Ms. Christa Luft, the East German

Economics Minister, yesterday accused Bonn of lacking a con-cept for bringing together the

By contrast, Ms Luft described as "good" her talks yesterday with Mr Heinz Ruhnau, the Lufthansa chair-

man, on improving air traffic between the two Germanys.

Mr Ruhnau has in the past accused the western allies of

obstructing efforts to modern-ise East and West German air

transport arrangements.
Under regulations dating from four-power control of Ger-

many at the end of the Second

World War, only airlines owned by the three western Allies can fly between West

two states' economic system

By David Marsh in Bonn

THE US, Britain and France have told the Bonn Government that Lufthansa, the West German airline, can fly to Berlin, signalling the imminent end of a 45-year-old system of policing flights between the

two Germanys.

The offer by the western Allies, part of suggestions for wide-ranging liberalisation of Berlin air traffic, will be discussed in a meeting on Friday between the Bonn Foreign

Ministry and senior diplomats from the three Nato partners.

News of the breakthrough, which seems likely to allow Lufthansa to fly to Berlin before the end of the year, came as Mr Hans Modrow, the East German Prime Minister, ended a two-day visit to Boun. Mr Modrow left the West German capital claiming he was disappointed with lack of progress on West German aid for the beleaguered East Ger-

three separate air "corridors" laid down at the end of the

joint paper drawn up by the Transport Ministry in coordination with other government departments to sketch out a new air traffic regime:

Lufthansa and the East German airline Interflug have since last summer started an increasing number of flights between the two states. By the end of March there will be 31 weekly connections.

Although these are not cur-

At Friday's talks, the Bonn Government will present a

rently permitted to cross the East-West German border, Lufthansa hopes for approval soon from the Allies for regular flights for instance from Frankfurt to Dresden, to cross the border rather than flying via Czechoslovakia.

Euro-MPs back early German reunification

By David Buchan in Strasbourg

ALL the main groups in the European Parliament yesterday expressed support for early German reunification, with only the Left and a visiting Soviet delegation warning against East Germany being effectively annexed into Nato. There were also calls for the Twelve to bring their conference on European monetary union, set for December, for-ward to coincide with monetary negotiations between the two Germanys, likely to start after the East German elections next month.

Speaking for the Christian Democrats, the Parliament's second largest group, Mr Emilio Colombo said the inter-governmental conference (IGC) should be advanced. He waswere voicing the same concern expressed by Mr Jacques Delors, the Commission president, to Parliament on Tuesday that German unity might upstage and upset the longmooted IGC. Majority voting determines the timing of the IGC, which is being held against the sole objection of Mrs Margaret Thatcher.

The Commission's job, said

its president yesterday, was to "reason as if presented with a new request for accession" and to go through every area of EC activity to see how soon East Germany could adapt to Community rules.

Mrs Maire Geoghegan Quinn, Irish minister for European affairs, yesterday asserted it was the Irish presidency's prerogative to call a special EC summit on Germany, not that of MrDelors who suggested it on Tuesday, but indicated Dubhin agreed with the likely need for such a meeting.

Most groups backed Bonn's

moves on German unity, with the Socialists, Strasbourg's largest political bloc, proposing a standing European Parliament committee to scrutinise

intra-German developments, and the British Tories calling for "orderly" adaptation of East Germany to EC rules. But the Kohl Government

Meat is certainly cheaper in East Germany, where a kilo of pork schnitzel costs 10 Marks

compared with DM17 across

the border. But as a meal in a typical restaurant will show,

the quality is much lower in the east. A packet of 20 cigarettes costs 3 Marks

against DM4. while a bottle of

beer is around 1.30 Marks

was lambasted by the Greens. Their German spokeswoman, Mrs Birgit Cramon Daiber, said a European stability fund should be set up and East Berfin given time and money to restructure its economy, she said, instead of being pushed into a "hasty" union.

Strasbourg's two Communist factions criticised Chancellor Kohl for acting "irresponsibly" in failing to reassure Poland about its western border. "It is absurd to think that united Germany can be in Nato - it must have some new status." said Mr Luigi Colajanni, an

Italian communist.

The sole, but forceful, proponent yesterday of a German "third way" was Mr Franz Schonhuber, leader of the right-wing Republican party.

Saying that the Germanys were neither American nor Soviet colonies, he demanded that all foreign troops should leave a unified Germany, which should adopt a stance of "armed autonomy". He sup-ported "a Europe of Father-

Heading a Supreme Soviet

delegation here, Mr Valentin Falin one of Moscow's leading German experts, said in areas of the Soviet Union hit by the last war like Leningrad, Smo-lensk and Byelorussia "the prospects of German reunificaton are not seen in as theoreti-cal way as in other countries. At the last central committee plenum, he said "the concept of a Munich was talked of in relation to the Soviet Union", with the evident fear that the loss of East Germany would leave the Soviet Union as defenceless as Czechoslovakia was after its 1938 cession of Sudeteniand.

Osram and Zeiss start reunification talks

By David Goodhart in Bonn

OSRAM, the lighting company, and Zeiss, the optics group, two German companies split in half by the division of the country, have announced talks aimed af bringing the two halves together again.

Osram, the West German

Osram, the West German subsidiary of Siemens, may buy a majority stake in the Kast German Narva group, which partly consists of former Osram businesses. Carl Zeiss Oberkochen, the

West German group, is unlikely to be invited in the short term to make a bid for Carl Zeiss Jena, the Bast German group, as the latter is one of the flagships of East Ger-man industry. However, a wide range of co-operative projects are envisaged between Osram and Zeiss.

Other East-West German co- coal-fired power stations:

operations announced in the past few days include:

• Goldwell, one of the world's higgest producers of hair and skin care products, based in Darmstadt, has ambulaced a joint venture with the hair division of the main East Ger-man cosmetics group. Goldwell is immediately expected to start deliveries to East Ger-

wister company Buna.

• Preussen Elektra, part of the
West German Veba group, and
Bayernwerk, another West

many's 4,500 hairdressers.

• Huels, the West German chemicals group, has announced closer co-operation with its former East German

German energy group, have announced provisional plans to build in co-operation with East German groups two small

Petre seeks to prevent mutiny

ROMANIAN Prime Minister
Petre Roman yestarday sought
to prevent a mutiny in the
armed forces by agreeing to
National Salvation Front Petre Roman yesterday sought to prevent a mutiny in the armed forces by agreeing to investigate allegations of mili-tary involvement in the killing of civilians during last December's revolution, Reuter reports from Bucharest.

Mr Roman was under pressure to calm a tense situation as a crowd of about 2,000 uni-

(NSF). The military demonstrators demanded a complete public accounting of the army's role in the deaths of up to 700 civilians in clashes which led to the overthrow and execution of dictator Nicolae Cezusescu.

MEPs delay environment agency

the European Environmental Agency, in protest at its lack of inspectors to compel and check data from EC member states. Mr Carla Ripa di Meana, the Environment Commissioner,

then accused MEPs of an excess of pro "green" zeal in having amended the plan to include an inspectorate which itself had no hope of winning the necessary unanimity among the Twelve.

The prospect of a pollution police is sure to turn Spain, for one, from reluctant acquiescence to open opposition.

MEPs sent the issue back to their environmental commit-tee. This delays by at least a month action by the Council of Ministers, in the hope that Strashourg can wring some concessions from Brussels and EC states. Last week Mr Ripa di Meana toid reporters that some of the 12 member states disregarded many laws, that others comested the validity of existing environment rules and that some nations particularly that some nations, particularly Belgium and Italy, failed to respect rulings by the European Court of Justice.

Among the member states, Spain was the worst offender, followed by Belgium, Greece,

Swedish Government faces defeat and deadlock in polls

By Robert Taylor in Stockholm

SWEDEN'S minority Social Democratic Government faces parliamentary defeat today over its wage, price, rent and dividend freeze but many observers do not believe an early general election will provide an answer to the crisis.

"Our problems are as much constitutional as they are economic," said a senior adviser to Mr Ingvar Carisson, the

to Mr Ingvar Carlsson, the Prime Minister, yesterday. The trouble lies in Sweden's constitution, which came into force in 1974. This involved the creation of a single-chamber parliament, reduction in the length of the parliamentary mandate from four to three years with concurrent elections at national and local level, and introduction of pro-

portional representation with an allocation of seats between all parties polling over 4 per cent of the vote. The constitution has contributed to making a conspicu-ously stable political system more unstable than it has been since the 1920s," argues Professor Olof Ruin at Stockholm

University.

The combined effect of the reforms - designed to produce

a more democratic system -has been to undermine strong government in Sweden and encourage party fragmenta-

Last week, Mr Carlsson said the constitution put big demands on the political parties; it required their willing-ness to conciliate and compro-mise in order to prevent political paralysis.
But with only three-year intervals between elections,

parties were rejuctant to jeop-ardise their support by identi-fying themselves with tough "The short-sighted perspective leads to discontinuity and hastiness on the part of gov-ernment," argues Professor

For the first two years under the 1974 constitution the ruling Social Democrats under the late Olof Palme with Commu-nist support had to rely on the Speaker's casting vote for a majority of one in the then even-numbered 350 strong Par-

From October 1976 to Sep-ember 1982 there were no less than four successive non-Socialist coalition governments. With Communist support the Social Democrats have governed ever since but with a dwindling joint majority.

At the 1988 general election 43.2 per cent of voters backed the Social Democrats, ensuring the Social Democrats, ensuring the party 156 seats out of 349. By contrast, Britain's Conservative Party polled 42.3 per cent in the 1987 general election but, thanks to the first-past-the-post system, won 376 of the 650 seats.

There is little likelihood of Sweden changing to a UK-type system. In fact, Sweden appears to be moving closer in its political instability to what is happening now in Norway.

is happening now in Norway and Denmark where coalition governments rule uncertainty, almost from day to day and never sure of winning a major-ity in Parliament for any of their policies.

• Sweden's balance of payments deficit more than doubled to SKr32.3bn (£3.1bn) last year from SKr13.5bn, according to preliminary figures. The deterioration was particularly marked in the last two months when there was a SKrII.9hn rise in the deficit, mainly due to a huge outflow of capital.

Soviet democracy groups plan mass action

By Quentin Peel in Moscow

Organisations campaigning for organisations campaigning in multi-party democracy in the Soviet Union are planning coordinated mass demonstrations in Moscow and cities across the country to demand a round-table conference with the Communist Party, timed for just one week before the next round of republican elec---

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tions. Plans were agreed on Tues-Plans were agreed on Thes-day night, as reports of popular demonstrations against Com-munist Party leaders in many parts of the country continued to flow into the capital. At the same time, tears are groing among independent candidates standing for next month's elections in Russia.

month's elections in Russia, Ukraine, and other republics, that the authorities may use popular unrest to postpone or

restrict the polling.

The attempts by the opposition forces, grouping social democrats inside and outside the Communist Party, the Memorial movement to rehabilitate victims of Stalimsm, the Democratic Union, and others, come as President Mikhail Gorbachev suffered a setback in his attempts to call an emer-gency session of the Congress of People's Deputies to decide on changes to the Soviet con-stitution extending the executive powers of the presidency.

Two new organisations have been formed this week to chal-lenge the power of the party and press for sweeping demo-

cratic reforms.
One is a Citizens' Action
Committee, planning a big
denonstration in Moscow and other cities on February 25.
The other is a bloc of candidates for the Russian elections, called Democratic Russia

which wants to become an "independent political force" in the Union's most important republic.
The organisets expect impeople or more, according to one participant at the action committee meeting, which was chaired by Mr Yuri Afanasyev, a leader of the Inter-Regional Group of people's deputies.

However, mass protests were already reported yesterday from Vladivostock, in the Soviet Far East, from Tyumen, By David Buchan in Strasbourg

THE European Parliament yesterday delayed creation of the entire Communist Party and trade

union headership in the region.

A party plenum is to be held today. In Tyumen, oil workers staged a revolt in the Surgut area, where they apparently seized the headquarters of the Communist Party committee,

and the local soviet, to protest against had working conditions, lack of decent food supplies and basic social services, according to the independent Glasnost newspaper. Radio Moscow's Interfax

news service reported last night that thousands of Byelo-russians in the town of Mogilev are demanding the immediate resignation of the republican communist party and government leaders.

Many of the demonstrations reflect heightened tension and activity in the run-up to elections in Russia, Byelorussia and the Ukraine on March 4.

Mr Gorbachev himself admitted that growing crisis of confidence in the country when he opened the Supreme Soviet session in Moscow yesterday.

"There is growing dissatisfaction in the country with the pace, rates and results of perestroika, with the situation on

troika, with the situation on the consumer market, the exac-erbation of inter-ethnic prob-lems and the slackening of order," he said.

However, he failed to per-suade the deputies to summon an immediate new session of the Congress of Deputies – the supreme constitutional author-ity – on February 27 to amend the constitution. the constitution.

"Today is the time to decide all these questions. More time could finish off the country,"

Mr Gorbachev warned.
However, the deputies insisted that they be given more time to debate the ques-tion, and simply agreed to set aside time for such a debate in their legislative agenda, on which they want to include 50 separate items.

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EUROPEAN NEWS

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Paidme.

By Kieran Cooke in Dublin.

PEACE has broken out in the west of Iteland. The bonfires have been lit in celebration. More than a few drinks have been taken. The Irish "Rod

War" is finally over. It started in early 1988 when the Government introduced an annual 1215 (£14) licence for trout fishing. This caused apoplexy among freland's angling fraternity, a flercely indepen-dent and canny breed. It was not the money, said

the anglers. It was a matter of principle. In the west, bloody battles had once been fought with British landlerds for the right to free fishing. The Irish Government was not going to take that away.

The auglers accused the Government of trying to take control of the country's 680,000 acres of lakes and 9,000 miles of river. Waters would be given over to fish farming and some of the world's best fishing waters would be declared out limits.

The Government insisted on the licence. There was no such thing as a free fish, it said. The angiers imposed a fishing boycott. Boatmen refused to take visitors out on the lakes. Signs saying "Licensed Anglers not Welcome Here"

were erected.

The dispute grew nasty. Those who tried to fish had their hoats sawn in half. Visitors were mystified. A party of German angiers who brought licences and went fishing had their car tyres slashed. French angiers who did not buy licences had their rods confislicences had their rods confis-cated by water bailiffs. Tourist revenues of more

than IESOm per year were lost as foreign fishermen stayed away. The Roman Catholic church intervened to try to

solve things, but to no avail.

The dispute had political implications. In a general election last June the Planna Fall party, led by Mr Charles Haughey, the Irish Prime Min-ister, lost vital votes in marginal constituencies in the west of Ireland. As a result na Fail, for the first time in its history, was forced into a coalition.

But now, under a complicated formula agreed by anglers and the Government, the dispute is settled. Conces-sions have been made by both sides. The Government has abolished the fishing licence but anglers have agreed to form co-operatives to help finance fishery developments. Today is the first day of the

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Portugal tells investors it is 'gateway to Europe'

Lisbon believes it can withstand the alternative charms of the eastern bloc, writes Patrick Blum

OREIGN investment in Portugal is booming, and despite fears that investments which would have their economies are very distorted. They don't have organised market economies come to Portugal may be diverted to eastern Europe, the Portuguese authorities believe their country is well placed to face the challenge.

All the same, government departments and business organisations are keeping a close watch on developments in eastern Europe and intensifying their promotion efforts in important markets to ensure that Portugal does not lose out.
A \$10m (£5.9m) campaign aimed at the US, Japan and Spain has just been launched to promote Portugal as a stable and profitable centre for

Mr Antonio Mexia, vice pres-ident of the Instituto do Com-ercio Externo de Portugal (Icep), the foreign investment promotion agency, says some of the fears about a switch of investments from southern to eastern Europe are exaggerated. There will be competition [from eastern Europe] in the short term, but I don't

lem because their economies are very distorted. They don't have organised market econo-mies, and it will take them a long time to restructure," he says. These distortions will limit eastern Europe's capacity to attract and absorb a high level of western investment.

That view appears to be shared by some foreign inves-tors. In September, Mr Alain Minc, vice president of Cerus, the De Benedetti group's Par-is-based holding company, pre-dicted that the centre of grav-ity was shifting away from north-western Europe to the south. "In 15 years the motor of Europe will be in the south,"

That view still holds, savs Ms Valerie Bernis, spokesman for the group. "Developments in Eastern Europe do not affect our fundamental strategy and there have been no transfers of activity, though some of the [group] companies may be interested. But at the moment, it is very difficult to do anything there," she says. Eastern Europe's economic, legal and

PORTUGAL'S 330 air traffic controllers plan to take the Government to the international courts over an order preventing them from striking, their union said yesters writes Patrick Blum in Lisbon. The union had planned to start a five-day strike over pay which would have paralysed non-essential flights from midnight on Tuesday, but called it off after the Government banned the action and forced the controllers to work or face the sack. The legality of the Government's action is being challenged by the union in Portugal's labour courts; similar moves are planned in international courts. The Government's move "undermines the workers' right to strike, the union said.

social structures need to be considerably modernised. The Government's strategy to promote Portugal outside the EC as "a gateway to Europe" is likely to help maintain foreign investment. Until the mid-1980s, Portugal did not consider foreign investment a priority, but there has been a radical turn-around. "We used to wait for investors to knock at our door, now we are knocking at their door," Mr Mexia

says. New rules and incentives were established to encourage investment with the objective of bringing new industries and technologies as well as creat-

ing jobs. Icep was given the task of negotiating investments to cut bureaucratic delays. In the past, a foreign investor had to call at 20 differ

ent doors, now we deal with and solve all the problems here," Mr Mexia says.
Faced with increasingly tough competition from Europe and newly industrialised countries in Asia, the Portuguese authorities came to two impor-tant conclusions. First, that Portugal could not rely solely on its comparative low costs advantages. Wages - still among the lowest in Europe and other costs have been ris-

Portugal becomes more integrated within the European Community. Portugal had to offer competitive incentives as well as publicise the country's economic and political stability, and high productivity

potential, he says. Second, that there should be more effort to attract non-EC investment, thereby reducing Portugal's reliance on the richer northern European for most foreign investment. The strategy appears to be paying off. Last year, direct

foreign investments more than doubled to reach a record Es360bn (£1.4bn). The two largest single investments came from the US, with Ford and General Motors deciding to set up new plants near Lisbon. Ford moved first, announcing in July an investment of

Es22.3bn for a plant in Setubal to produce car audio equipment - the group's first audio components plant in Europe. The plant is scheduled to reach full production in 1992, producing premium quality radios, compact disk players and other high technology audio compo-nents. GM followed, announcing plans to set up a Es9bn automotive electronics plant, also in Setubal, to manufacture electronic ignition systems, mostly for export.

Other big investments included two joint ventures: Continental of West Germany, the world's fourth largest tyres group, has set up a joint ven-ture with Mabor, Portugal's leading tyre manufacturer, with a projected investment of DM230m (£82m) over the next four years; the Valmet Corporation of Finland is setting up a plant to manufacture tractors and tractor parts with IPE, a Portuguese state owned holding company, with an invest-ment of Es4.2bn.

Large investments are also expected in the automative and the pulp and paper industry, with discussions already under way with US, Japanese, Korean and European groups.

Among them, Daihatsu is

considering a possible invest-ment of about Es15bn in a

Foreign investment US \$m Total 🚧 Japan Total EC W.German

commercial vehicles. Mr Mexia says foreign investment will again rise sub-stantially this year, demonstrating Portugal's growing attraction as an investment centre especially for companies

Commission wheels out some heavy guns in war against dirty money

"WE SHOULD deny any benefit to those who live by trade in drugs, terrorism and organised crime." Stirring words from Sir Leon Brittan yesterday in explaining why the European Commission has taken up its heaviest arms in the fight against dirty money. It may be hard to disagree with the Competition Commis-sioner's sentiment. But his announcement that the Commission is to put forward a directive that will force member states to make processing of all sorts of dirty money ille-

Some states argue that there are already enough interna-tional bodies involved. The United Nations Vienna Convention of 1988 seeks to outlaw the laundering of drug money and has been signed (although not yet ratified) by all EC countries. A task force set up by the Group of Seven indus-trial nations last summer is preparing its own recommendations, a process in which the Commission and several EC countries have been involved.

Commission is acting within its competence. As a general

rule, Brussels has no power to interfere in criminal laws. However, in this case it is invoking the Single Market Act: if money-laundering con-stitutes a barrier to the free movement of capital across the EC, it is within the Commission's powers to remove it.

Given the urgency of the problem, not to mention its high political profile, member states may feel reluctant to block the directive, however strong their procedural objections. Nobody knows exactly how much money-laundering goes on, but everyone knows it is big. The G-7 task force is working on estimates of around \$80bn a year for the US and Europe. Other estimates have put the figure higher still. The Commission argues that

its action complements other international efforts. Its plans are to be much broader than existing work; they will cover dirty money from all sources - blackmail, terrorism, arms dealing, rather than just drugs. They will also cover not just banks, but institutions as much on the fringe as casinos, and bureaux de change, both of which are popular routes into

the system for suspect money. Commission officials admit that casting the net so wide may cause severe enforcement problems, and so are intending to leave considerable leeway in the interpretation of the law

and exactly whom it will cover. The proposals also go beyond the Vienna convention by laying down the broad principles to be followed in tracing suspects. Brussels has shunned the rigid system that exists in the US, under which every cash deal above \$10,000 is painstakingly examined, and has opted for a system in

which banks must report any suspicious transaction.

The Commission ideas are modelled on the UK system. They would oblige banks and other financial institutions to find out who was behind each transaction, "taking reasonable reasonble measures in cases of doubt," Sir Leon said. Financial institutions would not be allowed to enter into any ques-tionable transaction, and all suspicious facts would have to

be reported.
This would involve changes to the laws of some states. At present only the UK, France

and Luxembourg have specific laws against money laundering, but these refer either entirely, or principally, to drugs. Other member states are either in the middle of introducing such laws (Belgium and West Germany), or (Italy and the Netherlands) have general provisions cover-ing the proceeds of crime. It is far from clear whether

any of the methods developed will succeed: against the billions of dollars laundered, the few millions in suspicious transactions reported to the authorities are pretty small.

Italy and Belgium face action over unit trusts David Buchan in Strasbourg

BRIISSRIS has started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October, Sir Leon Brittan, the financial services commissioner, announced vesterday,

The so-called Ucits directive allows a mutual fund based in just one EC state to sell its wares in the other 11.... Sir Leon also announced a Commission recommendation overcharged for cross-border

customers were being overcharged for cheque clearing.

The Canary Islands are to change their tax system to pave the way for full integra-tion into the EC, the local gov-

coast of Africa, opted out of the customs union, common farm policy and tax system of the EC when Spain joined in 1986 in order to protect the booming

But Spanish authorities have

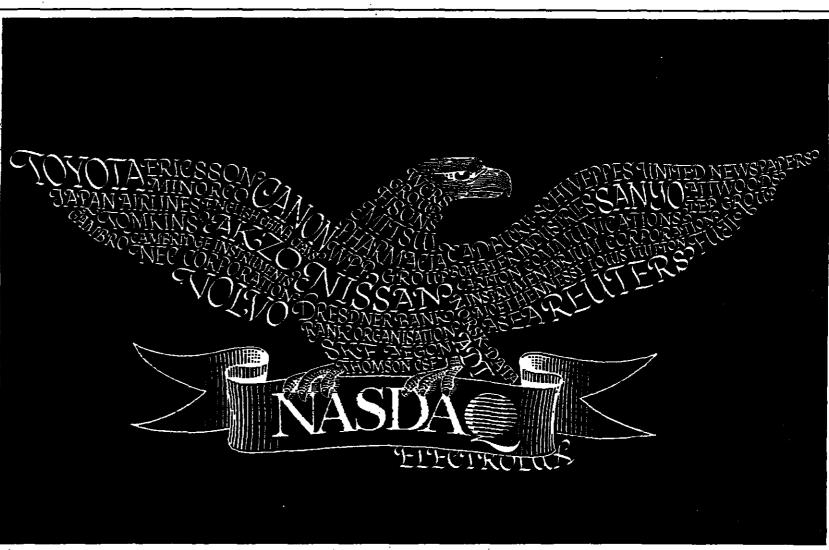
now reached an initial agreement with the Canary govern-ment to bring its tax system into line with EC norms, a government spokesman said.

Thousands of British, West German and Scandinavian holiday makers have flocked to the islands, attracted partly by their duty-free status.

But tourism has slumped over the past year, and the Canary parliament sought full EC incorporation in December.

Under the accord, the seven slands which include Tenerife. Lanzarote and Gran Canaria indirect tax in place of a series The modifications, negoti-

ated by senior economy minis-try official Jose Borrell during anthority for tax regulation to Madrid. Officials said the new Spanish parliament and he submitted to Bru for EC approval before taking



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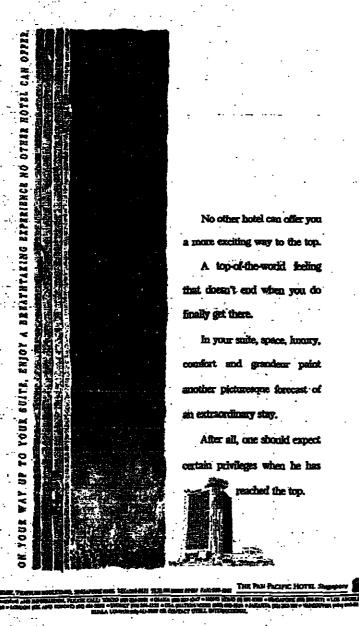
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OVERSEAS NEWS

ANC 'unlikely to place faith in nationalisation'

By Kenneth Gooding, Mining Correspondent

as beer and insurance. But the THERE was little chance that an ANC-dominated South African Government would carry out a wholesale nationalisation programme, suggested Mr Gavin Relly, chairman of the Anglo American Corporation of South Africa, yesterday. He said that his contacts since 1985 with ANC leaders

and those of the South West African People's Organisation (Swapo)in Namibia had convinced him that "their position is that they will do better by private enterprise rather than by putting everything in a

state pot."

Mr Relly said the prosperity of southern Africa was at stake. "Our neighbours are acutely aware that, if the South African economy doesn't prosper, they don't have a snowball's chance in Hades."

Those multinational busisses which had disinvested from South Africa had not relocated in southern Africa. "That emphasises my view that nobody would invest in southern Africa unless they could invest in South Africa." Anglo American is South Africa's biggest industrial group with interests as various core of its business comes from gold mines which the ANC has said it would nationalise.

Mr Relly pointed out that South Africa was not a rich country but in terms of GNP per capita was just behind Poland, Lebanon and Brazil and just ahead of Costa Rica and Malaysia. Removal of trade sanctions would not transform South Africa into a Japanese-style economy. He insisted that a Whitehall-

style democratic government, with its "winner take all" constitution, would not work for South Africa because it would lead to a one-party state. And one-party states were "economically incompetent".

He said Mrs Thatcher's attitude towards the changes in South Africa was being misin-terpreted. It was not that she wanted the removal of sanctions but she realised, rightly, that "whatever you think of the South African government, it has the authority to create change and must be supported and motivated to create change. Mrs Thatcher wants to move that change along."

Exiles under pressure to react to de Klerk moves

By Mike Hall in Lusaka

TOP policy-makers of the behind closed doors in Lusaka yesterday as pressure mounted for a firm united response to President F.W. de Klerk's reforms and his decision to release Mr Nelson Mandela, the ANC leader.

Discussions among the 35strong national executive committee of the ANC are expected to last several days. The meeting in the Zambian capital is the first since Mr de Klerk lifted the ban on the organisation in South Africa two weeks

Western diplomats say it is possible that the committee will come up with little more than a reiteration of the conditions for negotiation: troops out of the townships, the lifting of the state of emergency and release of all political pris-

It is also possible, diplomats say; that the executive will postpone big decisions until they have been joined by Mr Mandela who has said he

wants to travel to Lusaka as soon as possible to consult the ANC leadership. "They desper-ately need to get Mandela up here, especially now that he is obviously such an important

figure," said one diplomat.

Many observers believe the organisation has been thrown into confusion by the extent of the reforms announced by Mr de Klerk and the speed with which Mr Mandela was released Mr Oliver Tambo, the ANC president, is in Sweden recovering from a stroke at a time when he is most needed. Mr Alfred Nzo, secretary gen-eral and acting president, appears unable to step ade-

quately into Mr Tambo's shoes. Diplomats say that one of the most important tasks of the executive is to attempt to ensure that the unity that existed within these organisations when liberation was a more distant goal is maintained when negotiation politics begins in detail and when divisions within the leadership could more easily emerge.

Israeli minister visits Bonn

By Hugh Carnegy in Jerusalem

MR MOSHE ARENS, the Israeli Foreign Minister, flew to West Germany for a brief visit yesterday signalling a significant softening of Israeli concerns about German reunification.

In remarks made public shortly before he left, Mr Arens said he did not see danger in a united Germany "if that united Germany is a democratic Germany fully conscious of the responsibilities that it has towards the Jewish

Israeli leaders have shown strong misgivings about reunification because of the Nazi holocaust during the Second World War. Recently Mr Yitzhak Shamir, the Prime Minister, expressed them in an

exchange of letters with Mr Helmut Kohl, the West German Chancellor.

Mr Arens said Jews could not think about German reunification without remembering the holocaust. But he said West Germany was already a world economic power based on well established democratic institutions. Absorbing East Germany would not effect a great change. "If there was a breakdown of democratic institutions in West Germany itself that would be a danger. We don't fear that."

German reunification will be a central subject of Mr Arens' talks today with Mr Hans-Die-trich Genscher, the West Ger-

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Democracy squeezed out in Basic Law debate

Peking outplays Britain over franchise for Hong Kong's legislative council. John Elliott reports

HOULD there be 18 directly-elected seats, or 20, 22 or 24? Should they be introduced in 1991, 1995 or 1999? Should there be a two-

tier voting system? Students in Hong Kong are staging sit-ins over the issues and are threatening to boycott classes. Sir Alan Donald, Britain's Ambassador in Peking, has been locked for about a month in daily negotiations with China's Foreign Ministry and yesterday it emerged that agreement has been reached – just 18 seats in 1991 and 20 in 1995.

The focus of all this attention is the Basic Law which will form Hong Kong's mini-constitution after the British colony returns to Chinese sov-ereignty in 1997. This week, the Peking-dominated drafting committee of the law is meet ing for its final plenary session in the Chinese capital before the law is promulgated next month by the National People's

Congress. Coming in the wake of the Soviet Union's dramatic politi-cal changes, it might be assumed that the aim has been to provide Hong Kong with rapid democratic initiatives as the colony approaches the end of 150 years of benevolent but undemocratic British rule with no universal franchise.

That would be wrong. China has resolutely turned its back on Eastern Europe and is resisting change both for the

HONG KONG: PROPOSALS FOR DIRECTLY ELECTED REPRESENTATIVES(") ELECTION DATE 27% BASIC LAW DRAFT Feb '89 "PEKING" MODEL Jan '90 (60 seats) SINO-BRITISH PLAN Feb 1990(60 seats) LOBBYISTS' PROPOSALS COUNCIL MEMBERS' CONSENSUS UK FOREIGN AFFAIRS CTTEE & HK LIBERAL LOBBY BUSINESS GROUP CONSENSUS (")Figures are percentages of the Legislatur retices of intirect or eactional elections, plu

mainland and for Hong Kong, which it now regards as a cen-tre of potentially-dangerous

political dissent.

Accordingly, it has used a mixture of skilful, diplomatic ploys and threats to out-manoeuvre British negotiators and to wear down the groundswell of support for universal franchise which built up in Hong Kong during last June's Tiananmen Square student movement

As a result, calls for full democracy have been replaced by arid debates about whether there should be 18 or 20 directly-elected seats in a 60-seat legislature in 1991 or in 1995, plus a possibly restrictive two-tier voting system. There is not even any guarantee that full universal franchise will ever be considered in the future - a recently-introduced restriction which has been scarcely noticed let alone debated.

China has also used Hong Kong's UK-encouraged preoc-

issue to eclinse other subjects. which could prove to be far more important after 1997 and which Hong Kong had wanted to be improved following publication of the law's second draft hese include the inde-

pendence and jurisdic-tion of Hong Kong laws and courts and the relationship between the legislature and the executive. Another issue is the method for choosing an all-powerful Chief Executive who will replace the present British Governor: an electoral college will be used for at least the first two terms which means that Peking can virtually hand-pick him.

British officials, however, say they have little chance of improving such points because the law as it now stands is in line with 1984 Sino-British Joint Declaration on the 1997 hand-over which lays down that Hong Kong should have a high degree of autonomy for

the next 50 years. The UK has for decades done virtually nothing to develop direct elections, responding in part to the lethargy of the Honk Kong people and in part to China's aversion to political development. The present legislative council consists of government appointees and people indirectly elected by occupa-

tional groups.
In 1988, it was decided that limited reforms should start next year when 10 people (18 per cent) out of 58 would be directly elected. In the wake of last June's events in China, Hong Kong campaigners called for 50 per cent (30 seats) next year and full universal fran-chise in 1995, which would con-tinue into Chinese rule in 1997. More moderate voices on the

existing executive and legisla-tive councils plumped for 33% per cent (20 seats) next year, 50 per cent in 1995 and 100 per cent in 2003. A business-based lobby group struck a more genbroadly taken up by the British Government, for 30 per cent (18 seats) in 1991, 40 per cent in 1995 and 60 per cent in 1999.

All these proposals from 1995 onwards have been rejected by Peking, partly because it is not prepared to countenance anything that is a reaction to last June's events and partly because it fears that direct elections are more likely to bring liberal - or subversives in its book - to power.

Even before last June. Peking's aim was to limit the number of directly-elected people until 2007-12 so that it could, if it wished, then curtail subsequent moves towards universal franchise. A year ago, the draft law proposed gradual progress to 50 per cent by 2003, when a curtailed referendum would decide on whether to go to 100 per cent. That was said to be too restrictive by even some senior Peking officials and was expected to be improved, possibly to even 100

per cent in 2007 or 2011. Hong Kong's massive pro-democracy demonstrations last June changed Peking's mood and halted the potential improvement. The referensium idea was ditched but was replaced with new wording which removed a specific reference to "all members" being "selected by general election" (ie full universal franchise). Now, it only vaguely refers to possible future changes in the formation of the legislature. A

controversial two-tier voting structure which is expected to be reduced this week as a Peking concession was also introduced

China's only real concession in Sir Alan's negotiations has been to agree to move up from 18 to 20 seats for 1995, which will continue in 1997. This leaves headroom for the UK to have 18 seats next year, which is the minimum needed to avoid a big row in Hong Kong. That is a far cry from the 50 per cent (30 seats) in 1995 called for by existing council members.

hina's leadership has dealt its cards cleverly and has played on Britain's fear that confidence Britain's fear that confidence in Hong Kong would be reduced by political uncertainty and by snipling from Peking in the next few years if no agreement was reached. That fear has even made the UK ahandon a fall-back option of refusing to take a decision on 1995 till later in the hope that more moderate Peking that more moderate Peking leadership would emerge in the

meantime. In the end, China has con-ceded nothing that will affect the balance of power after 1997. Britain, on the other hand, has ensured that, unless there is a big change in China's leadership before 1997, it will leave tions behind in its last impor-

China worries about unrest among its ethnic minorities

CHINA'S minister in charge of the country's 90m minority people has expressed alarm over recent ethnic expressed alarm over recent ethnic unrest across the border in the Soviet Union and the collapse of communism in Eastern Europe, Reuter

writes from Peking.
Stability and unity among China's own ethnic groups had been affected by these recent developments, Ismail Amat, the Minorities Minister, was quoted as saying by the official China

The minister warned a national conference on minorities on Tuesday

that "separatists and forces hostile to Communist Party here and abroad" were damaging China's sta-

bility.

"They always stir up turmoll and conduct separatist activities under ethnic or religious disguise," he said in a tough speech apparently herald-ing a clampdown on China's minorities, who for centuries have staged rebellions against the Han Chinese majority.

An official said large numbers of extra troops had been sent to Tibet's regional capital of Lhasa to back up units enforcing martial law which was declared in the city last March after fierce anti-Chinese demonstra-tions and rioting.

Troops have also been dispatched

in recent months to remote areas of Sichuan Province where there are rumblings of unrest among Tibetans

Diplomats and academics said Peking also alarmed by a resurgence of Islam among minorities in the orthwest frontier region of Xirjiang - just across the border from Soviet Tadzhikistan where unrest forced officials to declare a state of emergency on Monday.

Four times the size of France, Xinfing has a population of some 15m people, of whom about half are Islamic. Only about 30,000 are Tad-

zhiks. Last May thousands of Moslems took to the streets in Xinjiang's capital Urumqi and in Qinghai's Xining to protest against a Chinese book they said insulted their

religion.
The policy towards the minorities now is 'relax to the outside, tighten

within'," the official source

The new policy meant tighter con-trol over religion, stepped up family planning, more restrictions on travel and more political education. Economic reforms would continue how-

Although they make up only about 8 per cent of China's 1.1bn people, the ethnic groups cover almost two-thirds of the country's territory, mainly sensitive border areas such as Tibet, Xinliang and Inner Mongolia.

LDP fails to assuage women's ire

By lan Rodger in Tokyo

UNTIL last summer, women did not count for much in the male dominated world of Japa-But the introduction of a 3

per cent consumption tax in April and the sight of politi-cians mired in bribery and sexual scandals were enough to bring angry women out of their traditional subordinate and obedient roles.

The so-called "Madonna" phenomenon was widely cited as on the main causes of the surprise defeat of the ruling Liberal Democratic Party (LDP) in last July's elections to the upper house of the Diet

So far, in the current general election campaign, the word Madonna has not been heard much, but there are many indi-cations that Japanese women have not gone back quietly to making tea and arranging

For one thing, there are 66 women candidates running for election on Sunday, the most in 40 years. For another, opinion polls show not as many women as men have forgiven the LDP for its transgressions

According to one poll of 10,000 voters, while 47.5 per cant of men claimed to support the LDP, only 38.2 per cent of women did. The women's sup-

port level had dropped by more than 9 per cent since last year. "Women still have very strong feelings, they will be voting to have an impact," Ma Takako Dol, chairman of the Japan Socialist Party (JSP), said at a press conference on

The effect will be as big as it was in the upper house election last year, and much larger than it was in the previous general election," she pre-

However, that does not necessarily mean a hig boost for the JSP vote. Anger among women with the LDP has been tempered by disappointment that the JSP has been unable to emerge as a credible alternative government.

"What we have now is a dominant LDP and opposition parties that can do nothing but say No to the LDP's policies," Mrs Miyoko Ikezaki, organiser of a Tokyo women's study group on political issues, said. Also, the image of the JSP as a party that supports women has been tarnished by its inability to overcome the resis-tance of many of its male incumbents to having new women candidates in their con-

Under Japan's multi-seat constituency system, a candidate representing a minority



Toshiki Kaifu, the Prime Minister, completes an absentee ballot paper in Tokyo yesterday. Election day duties will prevent him from voting on Sunday in his home district near Nagoya

party for fear it will split the party's vote and both will lose.

party, such as the JSP, tends to resist facing competition from another candidate of the same another candidate of the same pared with 29 for the Japan Communist Party and 13 inde-

Moscow presents plan to end civil war

UK halves subscription to world telecom union By Hugo Dixon

BRITAIN has cut in half its subscription to the International Telecommunication Union, the world's oldest tion in protest at the way debates were held at the union's plentpotentiary meet-

union's pleuipotentiary meeting last year.
The ITU, founded in 1867 to help co-ordinate telegraph traffic, became a special agency of the United Nations in 1947. Britain's move has some similarities with its decision to pulled out of the UN **Economic Secial and Cultural** Organisation at the end of 1985 because it was dissatisfled at the way Unesco was being run.

The recent decision may fuel fears that the UK is isolating itself from the rest of the world community by taking a hard line in international bod-

Britain notified the ITU at the end of last year that it proposed to cut its subscription from 30 units – equivalent to about £3m a year - to

15 units. Before this action, the UK was the joint largest contribu-tor to the ITU budget along with the US, Japan, West Ger-many, France and the Soviet Union. Even after the move Britain will probably be

among the top ten contribu-tors out of the ITU's total membership of 166. The UK's main complaint is that the ITU secretariat and sub-committee chairmen took a partisan line in debates at

last year's plenipotentiary meeting. As a result the UK feels its views were not properly taken into account. The UK was also piqued to be voted off the ITU's administrative council the union's 40-member ruling body when a group of develop-ing countries which disagreed with the UK's free market approach to telecommunications chose to voted for Greece

The UK has made clear to the ITU that it still intends to be involved in the union's day to day work. However, it believes it was important to send a signal that it was unhappy with the way the ITU
was conducting its debates.
The ITU's main work consists in setting technical stan-

dards which would allow telecmmunications networks around the world to connect, in agreeing on how the radio spectrum should be used, and in making recommendations on the tariffs that should be charged for international

Najibullah waxes while 'ragtag' resistance wanes

Christina Lamb on why the communist regime in Kabul has not followed the fashion of collapsing

F ANYONE, from the US State Department to the Kremlin, had been asked a year ago to bet which commu-nist government was most likely to fall, that of President Najibullah in Kabul would have been at the top of every

But while communist bastions across eastern Europe fell like dominoes, in Afghanistan, one of the world's poores countries, communism last year began to acquire legitimacy both at home and abroad, almost entirely because of the blindness of US foreign policy.

It is exactly a year since the Soviet commander-in-chief crossed the Oxus, completing the withdrawal of Soviet troops from Afghanistan and proving President Mikhail Gorbachev's commitment to a lessening of

American jubilation was complete. The wild men of the mountains whom the US had supported for the last eight of the nine years of Soviet occu-pation had humiliated the world's largest army.

Things have changed a bit since then. The mujahideen who were supposed to be the good guys are now more often depicted as ragtag terrorists or narrow-minded fundamentalists. Their leaders rarely speak to each other and are on their fifth and most elaborate attempt to form a government. Western journalists trying to report the war have been sent death threats by extremists among the mujahideen whose campaign of assassinations of intellectuals and rivals has

sending workers. Western embassies which fell over each other to leave Kabul before the expected resistance invasion are considering returning.
Guerrilla commanders have

deterred aid agencies from

taken in large numbers to the only psychiatrist's couch in Peshawar, unable to comprehend their failure to defeat the Afghan army. The answer it seems is that the muhahideen did not win against the Soviets
- they just did not lose.

Today the onus is on them to win. The mujahideen in themselves have not changed they are still the best equipped, worst organised guerrillas in the world, liable to oversleep and miss battles or kill each other because they do not know where forward lines are. Their record is hardly glorious. In 10 years they have won control of only five small pro-vincial capitals out of 31 and

have never managed to capture

and a ceasefire between the Soviet-backed Kabul Govern-MR Eduard Shevardnadze, the Soviet Foreign Minister, yester-day proposed the demilitarisament and the US-backed mujahideen rebels, followed by the removal of all arms stocks tion of Afghanistan and a fourpower peace conference in a plan for ending the Afghan

The 10-point plan appeared in an article signed by Mr Shevardnadze in the government newspaper Izvestia, marking the first anniversary tomorrow of the withdrawal of Soviet forces from Afghan-

He proposed a halt to all arms supplies to Afghanistan

an airport or close a road for any length of time - a feat crucial to cut off President

Najibuliah from his Soviet pay-

masters enabling him to keep support of the two-thirds of Afghans still living inside and

stave off defections.

The mujahideen, perhaps as

much as anyone, were victims

of propaganda from CIA and

Pakistani military intelligence.

The cruel irony is that the only commanders with real capabil-

ity to make decisive moves

were alienated by these agen-

from the country. This would be a prelude to the demilitaris-ation of Afghanistan. civil war, Reuter reports from Mr Shevardnadze also proposed a conference on Afghan-istan between the Soviet

Union, US, Pakistan and Iran.
It would be attended by
Afghan government and opposition figures and the UN Secretary-General or his represen-

Pakistan and Iran host some

denied a share of the arms sup-

ply. Many of today's splits in

the resistance are due to the

deliberate divide-and-rule pol-

icy of their Pakistani hosts and

manipulation by the different interests of their US, Pakistani,

Chinese, Iranian and Saudi

of forming a coherent policy.

Mr Shevardnadze proposed Geneva, Rome or Vienna as venue for the conference and said the Soviet Union would if necessary act as an intermediary between Iran and the US in view of their hostile relations. He said he had discussed Afghanistan in Moscow last week with Mr James Baker, US Secretary of State, but did not say whether he had put the 10-point plan to him. cies and often deliberately

ton and Moscow are guaran-tors of the April 1988 Geneva agreement that ended Soviet

involvement in Afghanistan.

Some hardliners in the US Congress and Pakistani military are still insisting that the mujahideen should make another push and more and better arms should be sent. However, the guerrillas are demoralised and hardly fight-ing. Much of the \$700m arms recently sanctioned are being

While President Zia of Pakissold in Sind. tan was alive he could keep them together but Mrs Benazir Bhutto, the Prime Minister, seems unwilling or incapable This is not to say the mujahideen cause is any less wor-thy - the communist govern-ment was installed illegally and though President Najibul-

lah is trying to distance him-self from the earlier war years when the regime carried out ruthless executions, he was head of the secret police during

The lack of US and Pakistan policy in effect has done the mujahideen out of victory. Had there been negotiations last year, Moscow would have dropped Mr Najibullah and set-tied for elections, the return of the king or a part-communist share in government.

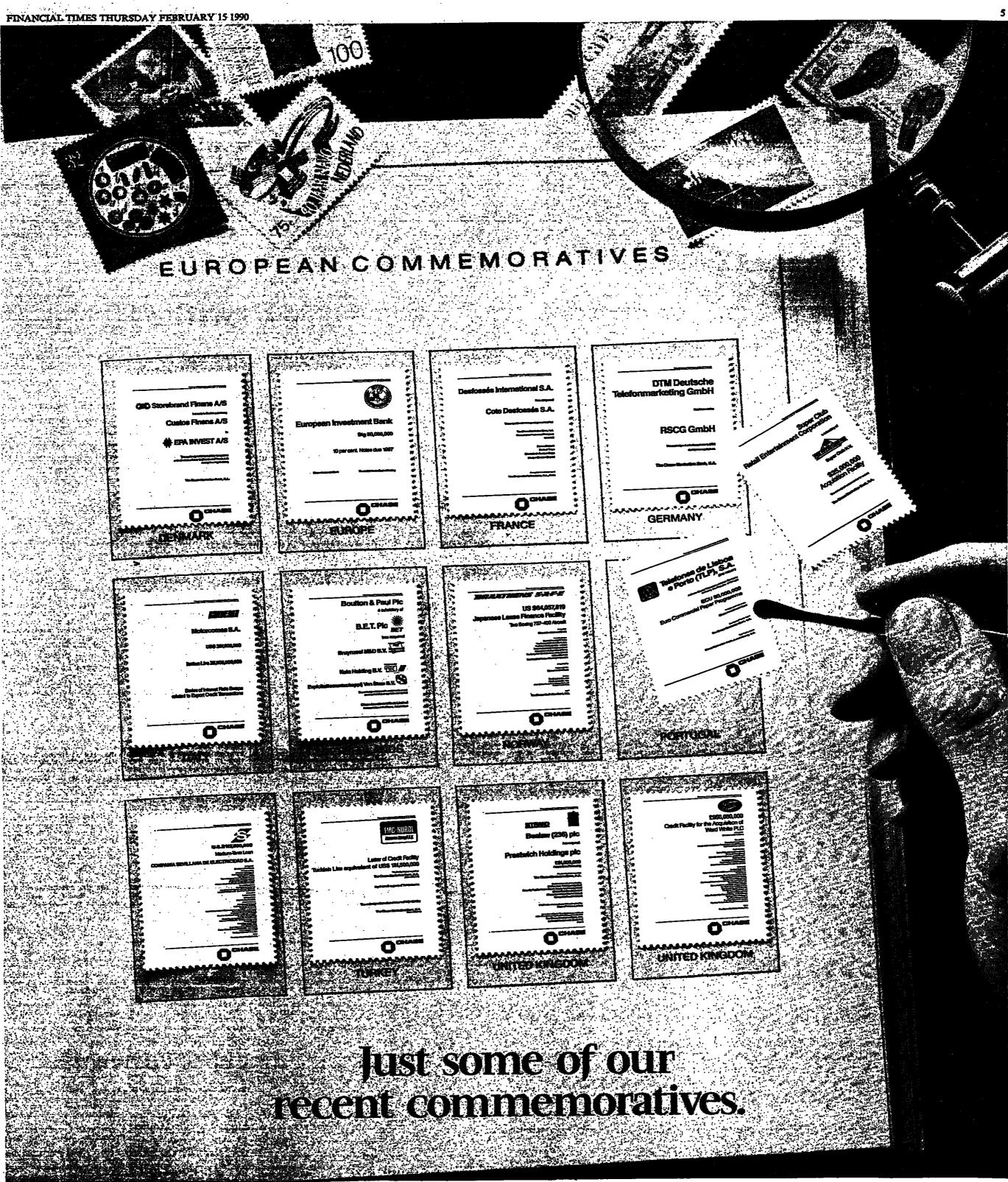
In Moscow last week Mr James Baker, the US Secretary of State, intimated that the US would no longer insist on the removal of Mr Najibullah as a precondition to talks.

A. Songe

The US still believes Moscow will drop Mr Najibullah because of the cost of maintaining him, estimated at \$1bn a year, and is desperately trying to rid the resistance government of the fundamentalists whom in the past they

supported so strongly. But it is hard to see why President Najibullah should agree to negotiate, while the recent unrest in the Soviet Moslem republics bordering Afghanistan makes it more important for Moscow to have a sympathetic and certainly non-fundamentalist govern-

ment in Kabul.



1989 was a notable year.

6

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American leaders join forces to crack drug menace US optimism is

By Robert Graham

FIVE HOURS is a short time to agree on new measures to combat the international drugs trade. Yet this is all the time US President George Bush and Presidents Virgilio Barco of Col-ombia, Jaime Paz Zamora of Bolivia and Alan Garcia of Peru are sched-uled to have for their drug summit in

Cartagena today.

It is hard not to see this as a purely symbolic meeting between the Andean producers of coca leaf cocaine and the main consumer of the drug. Nevertheless the historic encounter establishes for the first time the prin-ciple of co-responsibility for the drugs

In the past both sides have argued from opposing corners. Washington has acted on the basis that cocaine consumption was primarily a produc-tion problem, while the producers have always believed that illicit pro-duction of cocaine was largely a response to demand.

The summit is narrowly focused, excluding regional producers of mark-

excluding regional producers of mari-juana (Jamaica and Mexico) and important producers of opium and heroin (Guatemala and Mexico). It also includes marginal cocaine manufacturers like Brazil, Ecuador and Paraguay, as well as all the transit countries along the clandestine drug



routes into the US.

The meeting is going ahead in spite of a strong groundswell of disquiet over the US invasion of Panama last December. President Garcia only recently withdrew his threat of a boycott. His behaviour underlines the
difficring motives the two sides have
for getting together.

President Bush is principally concerned to assuage his domestic audi-

ence, demanding measures to combat the rising tide of crime linked to cocaine and its derivative, crack. The summit was proposed last September as part of his much publicised Drug Control Programme.

Apart from being seen to take the fight into enemy territory, the drug harons' home ground, Mr Bush wants the Andean leaders to give the US greater flexibility of action. In practice, this means permitting the US more freedom to operate inside the

producer countries with personnel and sophisticated equipment. At pres-ent such activities are closely con-trolled and subject to extreme local political sensitivity. As a counterpart, the US is willing to provide more resources to help in crop substitution

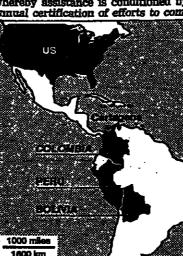
and general economic support.
The Andean leaders would prefer a
multilateral approach to the whole
problem via the US; but they recognise that it must go along with the Bush initiative. Nevertheless their priorities are different.
They believe the drug problem

must be tackled in the context of under-development and unfair terms of trade. Thus almost as a pre-condition they want better access for their products in US markets. Lost foreign exchange earnings from the US instigated collapse of the international cof-fee agreement last August has so far not been offset by the increased aid promised by Mr Bush to fight drugs. A second prerequisite is that the US must provide a quantum leap in its economic assistance. The sums so far talked about for crop eradication pro-grammes and fighting poverty are considered grossly inadequate. The figure of \$2bn a year for the foresee-able future has been mentioned as a

countries' officials. The Andean leaders deny they are using the drug issue to extract more aid to help their economies crippled by debt and the addi-tional problems of internal subversion. Nevertheless the issues are

closely intertinked.

Another demand is that Washington ends its punitive approach to aid whereby assistance is conditioned by annual certification of efforts to com-



bat the drug trade. In the past this has led to frequent friction. This demand for greater comprehension also includes the hope that the US will act with greater delicacy towards producer countries' domestic political

There is great sensitivity to the apparent militarisation of the US fight against drugs. This is especially so in the wake of the Panama invasion. Sensitivies were underlined by the forces over US plans in the wake of furore over US plans in the wake of Panama to send a large carrier led fleet to the Caribbean waters of Col-

ombia.
Finally, both sides still regard the problem of drugs in different time scales and sociological contexts. President Bush has gone for a punitive approach without major reforms to deal with the problems of the inner cities, where drug abuse is worst. The Latin American countries are facing up to the menace of drugs against a far more complex social background in which drug use and contraband has long existed beside weak central authority.

Thus for all the goodwill likely to

be generated in Cartagena, close co-operation promises to be a long hand amid the minefields of mutual misun-

guarded prior to Cartagena talks

PRESIDENT George Bush flies to the resort city of Cartagena today to cement a regional alliance with Bolivia, Colombia and Peru to wage common war on drugs.
Mr Bush's visit is, above all,

a show of support for President Virgilio Barco of Colombia, the summit host. It was his crackdown against the Medellin cocaine cartel six months ago which showed that a Latin American country had the political will to take on the narcotics traffickers, thus

narcotics traffickers, thus opening the way to greater regional co-operation.

The Barco crackdown coincided, too, with the emergence of drugs as the political issue which most preoccupied the American public; more so than the budget deficit, the Soviet threat and Japanese competition.

As a result, the Bush Administration accelerated efforts to persuade the Latin American cocaine-producing countries to support its own comprehensive

support is own compressive drug strategy.

The enticement came in the form of a \$2.5hn five-year programme of economic, military, law enforcement and imbelligence aid to the three Andean countries. countries.
This assistance will range

from strike helicopters for attacking cocaine laboratories to economic aid for attracting pessants away from coca producing areas to new economic development somes.

A senior US official stressed this week that US armed forces

this week that US armed forces will not operate our Colombian, Bolivian or Peravian soil, but will instead let the indigenous police and armed forces attempt "permanent disruption" of the supply chain. "We have listened very carefully, and we agree There's no plain to even suggest such a possibility," said the official.

The Bush Administration has only recently extricated.

has only recently extricated itself from a substantial diplomatic hole it dug for itself in Decamber, starting with the Panama invasion and a subse-quent ill-judged leak about a possible naval blockade of Colombia. The two events created: a furore when they ignited

The naval blockade was more imagined than real. A Pentagon official used some loose language about a plan to send an aircraft carrier battle group to track narcotics traf-fickers flying out of Colombia.

In the US, the question remains whether the administration can tackle the pressing problem of domestic consump tion. There are grounds for tion. There are grounds for cautious optimism. This week, Dr Louis Sullivan, the Health Secretary, reported that annual use of illicit drugs by high-school sentors declined from 38.5 per cent of the total to 35.4 per cent in 1989. Use in the 30 days preceding the survey declined from 21.3 per cent in 1988 to 19.7 per cent in 1989.

The percentage of school-

The percentage of school-children who have used cocaine once in their lifetime declined from 12.1 per cent to 10.3 per cent over the same period and the percentage in the last five years has fallen from 17.3 per cent to 10.3 per

The trend looks promising, but it still does not address those segments of the popula-tion, notably blacks, who will continue to abuse drugs as upper income earners turn to other sources of pleasure. Nor does it tackle the problem of a lack of reliable information on the numbers of addicts, the

amount of drugs consumed, even the amount of seizures.

This lack of data may explain why Mr Bush intends to revive the idea of US ships being used to provide an off-shore "radar net" to help Colorbia intendict drug traffick. ombia interdict drug traffickera. It also accounts for the increased funds for intelligence-gathering in the US-an important part of this year's \$10bn spending programme.

As Mr David Waddington, the British Home Secretary, discovered this week, the administration seems to be in a mood of guarded optimism. But one cloud on the horizon is beroin, from Burma, Laos and Afghanistan which sells at extremely low wholesale prices. As one narcotics official noted, it would be ironic if, at

may be peaking, heroin is about to make a comeback.

Medellin barons offer a way out

Attacks by the authorities may be paying off, writes Sarita Kendall

THE Cartagena summit is a sign that producing and consuming countries are taking the cocaine problem seriously. If governments could sustain the war for five or even 10 years, say the experts, they might stop cocaine traffic strangeling altogether. But such stamina seems unlikely: after a few months on the front line, more Colombians see dialogue with the Medellin cartel as an accept-able solution, and violence, rather than trafficking itself,

as the main issue. The power and flexibility of the gangs is so great that even huge captures of cocaine and constant raiding have appar-ently had little effect on supply or price in the US. Curlously, prices have even fallen in many parts of the Andes. This is probably because previous estimates of cocaine production were far too low, and the traffickers have been maintain-ing stockpiles to tide them through periods when shipping

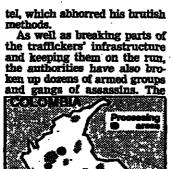
Peru is the biggest producer of coca leaves and cocaine

paste, followed by Bolivia.
Most of the paste is exported to
Colombia for processing into
cocaine hydrochloride, the
refined white powder.
Although official US figures put cocaine production at about 400 tonnes a year, unofficial sources now say that the real volume may be some-where between 600 and 800

Early in 1989 the Colombian authorities attacked laboratories, chemicals and operations centres. When Luis Carlos Galan, a presidential candidate, was killed last August the government re-established extradition and the drug barextraction and the drug our-ons themselves became the tar-get. More than 1,500 properties were seized including many traffickers' strongholds, and over a dozen middle-ranking members of the cartels were sent to the US for trial.

This tactic combined with

This tactic, combined with persistent intelligence work, led special police units to Gonzalo Rodriguez, considered the most violent of the Medellin group. Some say he was betrayed by the rival Call car-



police offensive against the traffickers' production centres continues, sometimes with speciacular results. But Colombians are already hoping that the war would end. The Medellin cartel, led by Pablo Escobar

and Jorge Ochoa, has bom-barded the public with communiques offering surrender and promising to dismantle the cocaine business in exchange for special treatment. This would mean, at the very least, the end of extradition.

To continue the war and reach deeper into trafficking structures, the Andean govern-ments will need greater public support. Helicopters, police training courses and drug edu-cation are necessary, but hun-dreds of thousands of South Americans depend on coca and cocaine for a living. About \$3bn a year seeps back into the

regional economy.

The real challenge is to replace the illegal income and its erosive effects on vulnerable democracies. Crop substitution programmes are notori-ously slow and one suggestion is that cocaine consuming countries should not only finance substitution but also buy the produce of small agro-industrial ventures. Debt relief would be another way of rewarding anti-drug commit-



Sharp end of the war on drugs: A Colombian policeman Latin American fears of a machine guns a cocaine laboratory and chemical dump resurgence in US imperialism.

Saturated market may force the producers to move on

By Andy Marshail

THE COCAINE industry differs from most third world agropro-cessing sectors in two crucial ways: it is illegal, and it is very

The production, export and sale of cocaine is one of the world's largest industries. There are an estimated 5m to 10m US consumers of cocaine or crack, spending between \$20bn to \$25bn annually, the Panos Institute, an indepen-dent think-tank based in the

Were it not for the drug's effect on the consumer, coca would be lauded as the ideal export crop and cocaine production as the perfect agropro-cessing industry.

Coca can be harvested three to five times a year, from a year after planting. It is highly labour-intensive, it survives for 15 to 20 years, maintaining good production levels on poor

A LAN Garcia, Peru's President, will take a tough line at today's

drug summit. He has been highly critical of the US policy, contrasting the aid on offer

with the huge value of the drug trade itself. He also rejects the emphasis

on military and law enforcement strategies, preferring to

stress development, aid and

crop-substitution programmes. Mr Garcia almost did not

attend at all; until a few weeks ago, he was still threatening to

boycott it because of US

quality land. The effect of the drug's illegality, and of repeated efforts to interdict supply and destroy production, is to act as a price support mechanism, since it reduces oversupply. This has been at the root of calls for legalisation and decriminalisation of the

Aside from its importance as a political, legal or social issue in producer, transit and consumer countries, cocaine production and processing is central to the economies of Colombia, Peru and Bolivia. Total US expenditure on the drug is equivalent to the com-bined GNPs of the three coun-

But as with many agropro-cessing industries, the profits are made elsewhere. The bias of the industry, as with so many third world commodity-based sectors, is towards a concentration of value added in the retail and intermediary

The Panos Institute says that at the beginning of the chain, a coca cultivator in the Bolivian Chapare may get \$1.20 to \$2.20 for a kilo of leaves. In Bogota, the price of a kilo of processed cocaine is \$2,000; in Miami, it rises to about \$10,000; in London, for the street user, it is from £50-£80 a gram.
Prices have fallen rapidly for

the last five years as supply has increased and this has been one factor behind the cartels' creation of a new market for crack, a cocaine derivative. The tightening of the net on cocaine intermediaries in Mexico, the Caribbean and the US, and the problems of the Medellin cartel in Colombia, might have been expected to produce a rise in prices, but in fact, the existence of a substan-

Holding the fort against cocaine traffickers

President George Bush's proj-

Sally Bowen visits a US-Peruvian initiative to help in the battle against drugs

tial market overhang - a large stock of processed and unprocessed cocaine in producer, consumer and transit countries has led to a fall in wholesale prices, but not street ones. The cocaine cartels have been under siege, at home and abroad, for the last year. But they will undoubtedly survive, channelling their efforts through new routes.

The looming questions for the drug barons are how far it can cope with the new legal and judicial pressures and whether the carefully created demand for crack is peaking, as statistics from the US sug-gest. Many of them have made a fortune in the 1980s; is it time

The development of crack boosted cocaine's status from a small-volume, high-margin operation, feeding on middle-class users, to a mass-market business with a large franchise throughout the US. But the market in the US now seems saturated, with consumption peaking and pres-sures on market-entry growing as interdiction tightens. The cartels have targeted Europe and cocaine seizures rocketed last year. The drug barons may also

feel that now is the time to diversify. In Europe and the US, there has been an upsurge in the sales of manufactured drugs such as MDMA or ecstasy (a methamphetamine), Ice (a synthetic amphetamine)

The Latin Americans have also increased exports of heroin and opium. It would be ironic if, by the time the US and its allies got a grip on production and sales of cocaine, it had been displaced by new synthetic wonders.

Bolivia's withdrawal pain

John Barham looks at the blessings of falling coca prices in one of the region's poorest countries

Suddenly the ground has given way beneath Bolivia's cocaine economy. The price for coca leaves, a raw material for cocaine, has collapsed, threatening the country's recovery from hyper-

inflation in 1985. Bolivian peasant farmers produce one third of the world's coca leaves. Figures from the United States Drug Enforcement Agency (DEA) show that Bolivian coca prices fell to a record low in January. Prices are now 90 per cent lower than the year earlier. American officials are cock-a-hoop. They say sliding prices have already led to a major increase in eradication of coca bushes and their substi-

tution by legal cash crops.

Yet despite their excitement most Americans in Bolivia admit that the dwindling coca price is due almost entirely to a massive drop in demand from Colombia cocaine cartels. A US official who requested anonymity, said: "Colombia is the central question. Everything depends on Colombia."
Washington is the driving force behind Bolivia's anti-drug

However, there can be little doubt that if prices remain depressed, the economic impact on Bolivia will be

The Chapare Valley in central Bolivia produces most of the country's coca. Some 30,000-40,000 families eke out a desperately poor existence in jungle valleys below the massive Andean footbills. Mr Domingo Velasco and his family of four tend a three hectare coca patch. He said:
"In the good years you could get \$2,500 per hectare. Now we are only getting \$10. Everything has become expensive."

20-25 per cent of Bolivia's jobs. It generates about 60 per cent In 1989 it pumped about \$600m into the economy, a cash injection equivalent to 12 per cent of Gross Domestic Prod-

At this week's Cartagena drug summit, the coca producing countries will press the United States to ease the pain of transition to a non-cocaine economy by providing greater financial support for alterna-

of Bolivia is to request a \$600m ald package. In 1989 the total US assistance to Bolivia was

Most of American aid is aimed directly or indirectly at the narcotics industry, which Washington sees as the most serious threat to Bolivia's stability.

A senior US diplomat said: The Bolivians say their objective is development first, but they do not realise what kind of a threat cocaine has become. We are committed to supporting democracy, supporting the economy and combating the drug trade. If one of these elements fails, so will the other two, but cocaine is the greatest threat by far."

However, Mr Herbert

Mueller, a former central bank governor and now a leading conomic consultant said: Cocaine used to provide a cushion for our economy. But the cushion is disappearing." He pointed out that the underground cocaine-based economy absorbed the shock of drastic economic stabilisation policies in 1985, when the pre-vious government halted infla-tion of 24,000 per cent a year. Mr Mueller said: We have to substitute coca. But whatever

the substitute crop is, we need the countries of the north to buy that crop at a certain



severe drop in coca prices, few are complacent. A DEA field officer said: "Even though prices are low and people can't afford to buy meat and eggs and so forth, nobody in central Chapare is reducing output much because they expect prices to increase late." Seasonal factors tend to depress prices in the early part of the year and raise them in July

and August.
US-Bolivian policy is to avoid harassing farmers in the Chapare and provide cash grants, credits and development projects to those who opt to grow "legal" crops. The joint DEA and Bolivian paramilitary forces concentrate on arresting traffickers and destroying their laboratories

But the Bolivian bureau-cracy delays payments to farm-ers. And the Leopards, as the Bolivian paramilitary and known, are widely feared and

Many of Bolivia's 30-odd gangs of traffickers have vertically integrated their operations, often with Colombian financial and technical backing. The US Embassy in La Paz has reported an increas-ing Colombian presence in the dense jungles of northern Boli-

Bolivia's comparatively primitive laboratories have more than doubled their productivity with Colombian support. Yet the US is confident that the Colombians will avoid moving all their operations out

Despite a rising number of arrests, a good part of Bolivia's cocaine establishment is still in place.

The popular press often report sightings of fugitive nar-co-plutocrats. More than a few of the conservative political elite that profited from drug trafficking under the military dictatorship of the 1970s have successfully laundered their drug fortunes.

Reverting to a comparatively shiggish conventional economy will take time and money. None of the coca barons are likely to invest their cash hoards in Bolivian industry. A number of thoughtful Boli-vians fear that without gener-ous outside help to smooth the way to a non-cocaine economy. an alliance of populist leaders and drug money will exploit the difficulties of transition, and undo the country's

remarkable political and eco-

nomic stability,

A Straight Straight

The narcotics trade provide

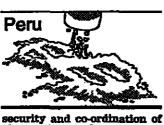
Disbursement of a large part of funds from the US Agency for International Development (USAID) is conditional on Bolivia meeting coca eradication targets. The nature of further sistance will be a focal issue at Cartagena. For all the expense and

effort, the effects of US policy had been disappointing. In 1989, the coca acreage actually increased by 10 per cent. The Colombian government's war against its drug traffickers has achieved more in six months than American policies in Bolivia have in

Although the Americans are

actions in Panama. Peru, as the largest exporter of cocaine, has borne the brunt of US efforts to contain the trade by military means. Last month, Mr Agustín Mantilla, Peru's Interior Minister, officially inaugurated Fort Santa Lucia, base of the Peruvian anti-drug police working with training and logistical support from the US Drug Enforcement Administration (DEA) and the Narcotics Assistance Unit. The fort, in the terrorism-ridden Upper Huallaga valley 250 miles north-east of Lima and the heart of Peru's coca-grow-

ing and trafficking area, boa a 6,000-foot runway, eight helicopter pads, and accommodation for about 250 men. This first of four stages, is costing the US about \$3m. The US presence at the Fort consists of a handful of NAU advisers from the State Depart-



air operations; a Snowcap team of DEA agents about 15-strong which accompanies interdiction operations and provides training and technical assis-tance; and up to 20 US pilots

and mechanics In speeches to six ambassa-dors at the ceremony on Fri-day, Mr Mantilla and General Juan Zarate, the head of the Peruvian anti-drug police, emphasised the need for economic development in the zone as well as repression of the drugs trade. But "the first stage is the armed confrontation; economic, social and cultural development come sec-ond," said Mr Mantilla. A commemorative plaque at the fort states the two countries' commitment to these goals.

US drugs-related military assistance to Peru is budgeted at \$35.4m this fiscal year - up from \$2.9m in 1989 - while narcotics and law enforcement activities get a further \$26m (\$10.5m last year). Economic aid will be slower to arrive - Peru is to receive only \$3.1m up to September this year. But a substantial slice of ment who are responsible for

ected \$2bn over five years for the three main Andean countries should come Peru's way and economic assistance will not be linked to the achievement of specific eradication targets but rather to overall co-operation in the drugs fight, says the US embassy in Lima. In Peru, some 200,000 hectares are under coca bushes, yielding 60 per cent of world coca leaf production, and pointing to a notional cocaine production of 370 tons ammally.

The Upper Hualiaga valley alone accounts for 60 per cent of Peru's coca leaf, according to US officials. Although a heightened campaign last September against traffickers in Colombia depressed the Peruvian trade, drugs police said last week that new routes through Ecuadorean and Peruvian trade. through Ecuadorean and Peru-vian ports, avoiding Colombia Were already well established Within the Fort Santa Lucia jungle warfare training area, eradication workers and police show visitors what they call "Disney" - a mock-up of the coca process from seedbed through maceration of the leaf. refining and packing to storage. They have reconstructed a typical drug dealer's jungle

house where eradication work-

ers play the parts of traffick-

ers, manning a short-wave radio and cooking traditional meals in the kitchen. Visitors are shown a patch of coca growing, and the difficulties

significant impact against the rapid expansion of coca-growing and was suspended in February 1989, after attacks on US helicopters and the killing of more than 30 Peruvian workers. Now supporters of eradica LUCAYALI E

Manual eradication made no

with Spike (Tebuthiuon) on March 17 last. Dead coca plants stick up, brittle and whitened, from among apparently healthy undergrowth and unaf-

tion say chemical destruction of the coca plant is the only Twenty minutes by helicop-ter up the lush valley from Fort Santa Lucia is the NAU's eight-acre test site, sprayed

fected green plants. A standard fixed-wing air-craft spread Spike, from a height of 100ft in pellet form to

seconds", a US embassy official told ambassadors visiting the site on Friday. He estimates six aircraft could wipe out 125,000 acres of coca in six months. Soil and water testing for residual chemicals will con-tinue until March, but US offi-cials are delighted with results so far. They argue that Spike is less environmentally damaging than herbicides commonly used by coca growers to avoid But many ecologists, as well as peasant farmers in the Huallaga valley, are passionately opposed to Spike. Peruvian

army and government officials fear that enforced chemical eradication would drive already disgruntled locals into the arms of the Shining Path Maoist guerrilla movement, which maintains a strong presence in the valley.

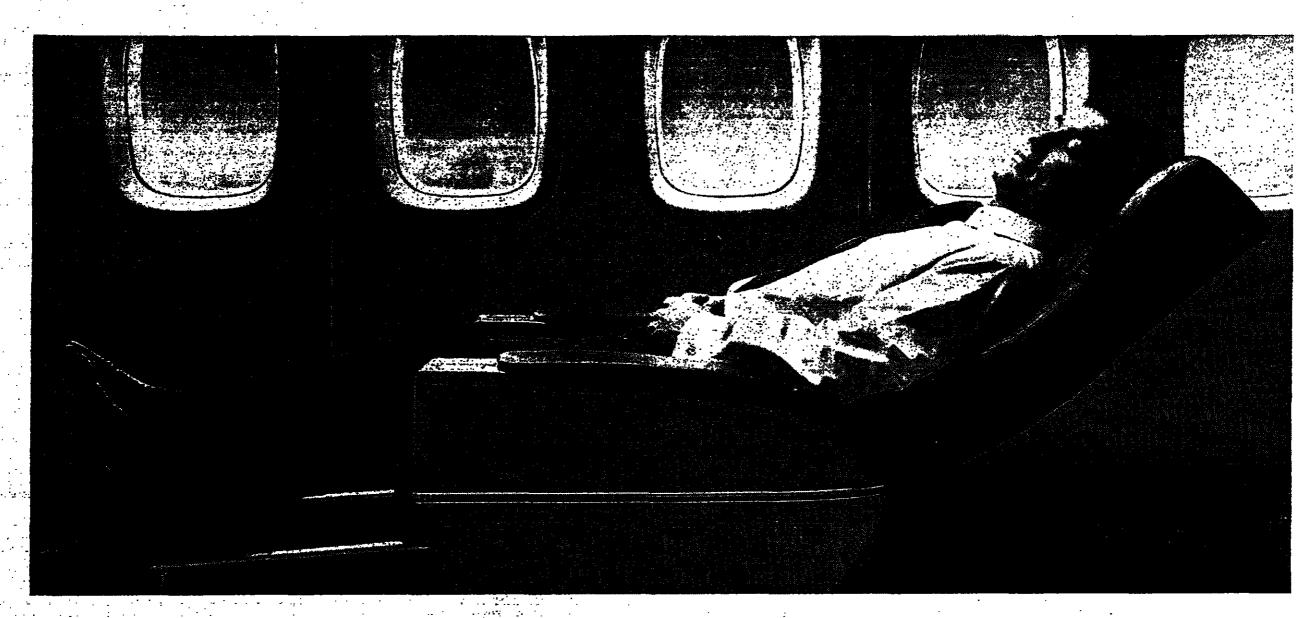
Three US Republican Con-

gressmen present at the Fort's inauguration said their visit had helped them appreciate the complexities of the drugs batthe in Peru. Mr Peter Smith, from Vermont, said "The war on drugs in the USA is a public Here it's a real war, involv-

ing law enforcement, courage and risks. We're through the

rhetorical stage. Now, frankly, tive development. President Jaime Paz Zamora we have to take action at home with mandatory prison sen-tences for drugs offences, the death penalty for traffickers. It will be a tough political mes-sage to sell in the USA".

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AMERICAN NEWS

Ottawa agreements show decline in Soviet power

By Peter Riddell, US Editor, in Ottawa

THE AGREEMENTS reached in Ottawa this week on the international handling of German reunification and on cuts in US and Soviet troops in Europe highlight the weakening of Moscow's position and the increasing independence of

its Warsaw Pact partners. The Soviet leadership made a number of concessions in accepting US proposals.

For instance, in agreeing to President George Bush's revised plan to limit the number of US and Soviet troops in central Europe to 195,000 each, the Soviets not only abandoned their own counter-offer of last Friday but also accepted the principle of asymmetry, drop-ping their previous insistence on parity in arms control. This is because the US, though not the Soviet Union, will be allowed to keep 30,000 troops

elsewhere in Europe.
The sole US concession is that Washington has agreed to make the 30,000 limit legally binding, and separate from the central zone ceiling, rather than just a unilateral pledge.

Moreover, the Soviet Union has, for the first time, formally accepted German reunification without question by supporting the "two plus four" formula for talks between the two German states and the four wartime victors (the Soviet Union, the US, Britain and France) for discussing "the external aspects of the estab-

lishment of German unity." Several major issues still have to be resolved, notably the relations between a united

By Gary Mead in Buenos Aires

MR ANTONIO ERMAN

Gonzalez, Argentina's economy

minister, is to take control of

the financial running of state-

owned companies, previously handled by the Ministry of

Public Works. The move is an

attempt to bring the companies

into line with plans to reduce

Treasury support, after esti-

mated losses of \$5.5bn in 1989.

changes during a television

chat show late on Tuesday

evening. The move did not

Imply poor administration by Mr Jose Roberto Dromi, Minis-

Mr Gonzalez announced the

Germany and Nato, the sta-tioning of foreign troops and the siting of nuclear weapons. There are no limits on non-US (French, Canadian or British) troops in Central Europe. But, in backing "two plus four" the Soviet Union has floor, no-one believes the Soviet Union will be able to maintain anything like 195,000 troops in Eastern Europe

accepted that, with the rapid disintegration of East Germany, it cannot stand in the way of reunification and instead should attempt with the West to establish satisfactory security arrangements.

There are increasing cracks

in the Warsaw Pact. Poland, Hungary and Czechoslovakia all disagree with the Soviet position that a unifled Germany should be neutral rather

many should be neutral ramer than a Nato member.

Mr Krzysztof Skubiscewski, the Polish Foreign Minister, talked yesterday of a "quid pro quo" taking account both of US and Soviet interests whereby a united Germany could be Nato member but there would be no movement of troops into the present East Germany where Soviet forces would remain for some time.

He said he was satisfied by recent assurances by the West German Foreign Minister (though not all West German politicians) about respecting the current Polish-German border. He would therefore want a statement by the German authorities and by the four

powers about the frontier. Pressure from Hungary and Czechoslovakia for a total withdrawal of Soviet troops, and from Poland for a substan-tial reduction of them, obvi-

Argentine minister to run state entities

ter of Public Works, he said.

but that current administra-

tion of the companies' expendi-

ture acts "as if [the companies] were outside the country, with

out taking into account the

needs of the Treasury." Estimates suggest that,

despite President Carlos

Menem's promise when he

took office last July that Trea-

sury support for the public sec-tor would stop, 50bn australs

(\$16.6m at current exchange

rates) of government funds

was used to bale out national-ised companies in January this

Brazilian import rules likely to be eased

By Ivo Dawnay in Rio de Janeiro

ously encouraged Moscow to

accept the US troop proposals.

unlike the Democratic leader

ship in the US Congress, regard the new figure as a

(down from 560,000 now).

delegates looked unhappy over the concessions. There is a

clear danger of triumphalism

on the western side, especially following last week's Moscow

moved towards the US position in the negotiations over reduc-

ing strategic nuclear weapons,

and Ottawa talks have cleared the way for treaties this year

on conventional forces in

Europe, chemical weapons and

strategic weapons, there are

still a number of problems. In particular the two sides remain some way apart on conven-

Nevertheless, despite these considerable difficulties, both

the Soviet and US sides are keen to nail down earlier

agreements, for varying domes-

The ostensible reason for the

Ottawa meeting of 23 Nato and Warsaw Pact foreign ministers

was to discuss the Open Skies

initiative for allowing mutual

aerial surveillance. Everyone

accepts this is a good idea in principle though there are big

differences in implementation.

year. The most heavily sup-

ported company, Ferrocarriles

Argentinos, the state-owned

railways corporation, is thought to have required \$10m.

Such heavy subsidies have

given rise to Argentina's fiscal deficit problems and ultimately its hyperinflationary bursts. But while Mr Gonzalez is try-

ing to force through cuts to the

government's public sector bills, political pressure from

within Peronist movement, is

pulling in the opposite direc-

tic political reasons.

specially over Cruise missiles.

While last week's Moscow

While Britain and France,

BRAZIL looks certain to soften its tough rules on importing car components and other high-technology products to attract manufacturers to set up car plants in the country. Mr Fernando Collor de

Mello, president-elect, yester-day gave a clear hint that he Participants said the Soviet es to see a modernisation of the Brazilian motor indusment would relax the policy of "reserved markets" for specific talks when the Soviet Union

sectors such as computers, Mr Collor raised the issue of the car industry.

He rapeated his claim made last week in West Germany that Brazilian-made cars were mere "carts" compared to what was available on the world market. Only by allowing in high-technology compo-nents could the country com-pete, he said. I am against any system of reserved mar-kets," he said. "They preserve inefficiency and hide incompe-

The president-elect, who takes office on March 15, par-tially absolved the local industry - comprising Volkswagen, Ford, GM and Flat - from complete blame for outdated products.

"It is not just the fault of the manufacturers, it is also due to the rules imposed on

them," he said.
Mr Collor's spontaneous reference to the industry will be closely examined by local producers following mounting speculation that he is actively trying to attract a Japane car maker to the country. On his visit to Tokyo last month, he was closely questioned by Nissan on his plans for the industry and is said to have held confidential talks with

Last year, the Brazilian industry produced some 750,000 units, but saw overseas sales drop substantially due, they claim, to a 30 per cent overvaluation of the cru-

zado's exchange rate.

• Mr Antonio Rogerio Magri president of the right-wing General Labour Confederation, has been appointed Labour and Social Security Minister in the incoming government.

Pay pitches baseball into chaos

Roderick Oram looks at a row that could delay the season's start

FOR only the third time in a century, baseball club owners have locked out players in an arcane fight over pay practices which threatens to delay the start of the season for weeks. The players for once cannot be accused of grabbing for more riches and would be quite happy with the status quo. The fans, deeply confused by the dispute, are getting very angry with owners for denying them baseball.

"If ain't broke, don't fix it," is the attitude of players and tans, since baseball never had it so good. During the 1980s, nationwide

attendance almost doubled, all

but a handful of the 26 major league teams are profitable, industry revenues have jumped to around \$1.6bn last season and players average salaries have soared like a fly ball from \$143,756 a year to \$490,000. Against such a healthy backdrop, the owners are finding it difficult to articulate their problem and proposed solution. They are trying to say that

granting of free agent status to players earlier in the 1980s is wreaking havoc with labour costs and severely disadvantaging smaller and poorer teams. In the bad old days of labour contracts, teams virtually owned players. But now players with more than six years major league experience are free to negotiate the best deal they can with any team, subject to some complex regula-

As a result about 50 players are likely to earn more than \$2m each this season, against only 19 last. Will Clark, a San Francisco Giants first base-man, signed in January a record \$15m, four-year con-

that free agency was crippling them. But in fact revenues have risen faster than salaries. They have colluded over the years to subvert free agency and now face court imposed damages that could rise to around \$100m. Instead, the owners say the

system makes the rich teams stronger and the poor weaker. The top five teams such as the New York Yankees and the Kansas City Royals had an average payroll of \$16.5m last

The bottom five such as the Cleveland Indians and the Seattle Mariners, paid only 88.5m. Since talent can be bought, poor teams have performed poorly.

The owners also say a new pay system will help them forecast their costs better. But deep down, critics charge, the owners are secretly trying to regain financial control over

the players.

The clubs are proposing to pay players with up to six years experience from a national pool funded by 48 percent of their revenues from tickets and broadcast rights. The owners would like to say These two sources make up 82 per cent of their total revenues. Each player would be paid according to his perfor-mance statistics.

But even in a nation

of sports data, the notion that a ball player's athletic prowess, art and entertainment can be reduced to numbers and dollar signs troubles many fans.

But this way, the owners argue, poor teams will be able to afford the same young talent as rich. The owners are also want to sneak in some curbs on free agency status.

The players are proposing instead a new contract on conventional lines but with an increase in starting pay from \$68,000 to between \$100,000 and \$125,000 and an increase in the minimum team roster from 24

Fans might be able to forego the pleasures of the spring sea-son games but if it looks as though the April 2 start of the season proper will be jeopardised, the owners will start hearing a lot of choice epitheta from the fans who have made

Reluctant US adjusts to likely Ortega win

By Lionel Barber in Washington

The US has begun to adjust to the possibility of a victory by President Daniel Ortega, the Sandinista leader, in Nicara-gua's forthcoming election. US officials insist Mrs Violetta Chamorro, the opposi-tion candidate, still has a good chance of winning the election. But even the most partisan observers admit Mr Ortega's campaign is better financed and better organised, thanks to the left-wing Sandinista party's control of the state machinery. The prospect of a victory by President Ortega — once likened by President Bush to a "skunk at the picnic" — is repellent to the US. But Mr Bush, in contrast to the Rea-gan administration in 1984.

Under congressional pressure, it also agreed to cut off military aid to the Contra resistance to support national reconciliation, thereby foreclosing Mr Reagan's option of toppling the Sandinista regime

encouraged the opposition to

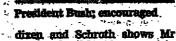
US officials said this week that while electoral intimida-tion is still a problem, the level of political violence has



Daniel Ortega; shead

diminished substantially". Polls by two Nicaraguan groups with ties to the Ortega government show the Sandinistas with a 14 point lead, while a polling company hired by the National Opposition Union finds Mrs Chamorro with a six

. A US company called Ben-



Ortega shead by 53 per cent to 35 per cent, with 8 per cent undecided. One important caveat is that polls are forced to rely on the country's last census in 1970 which was taken before the large-scale emigrations which followed the Sandinista revolu-

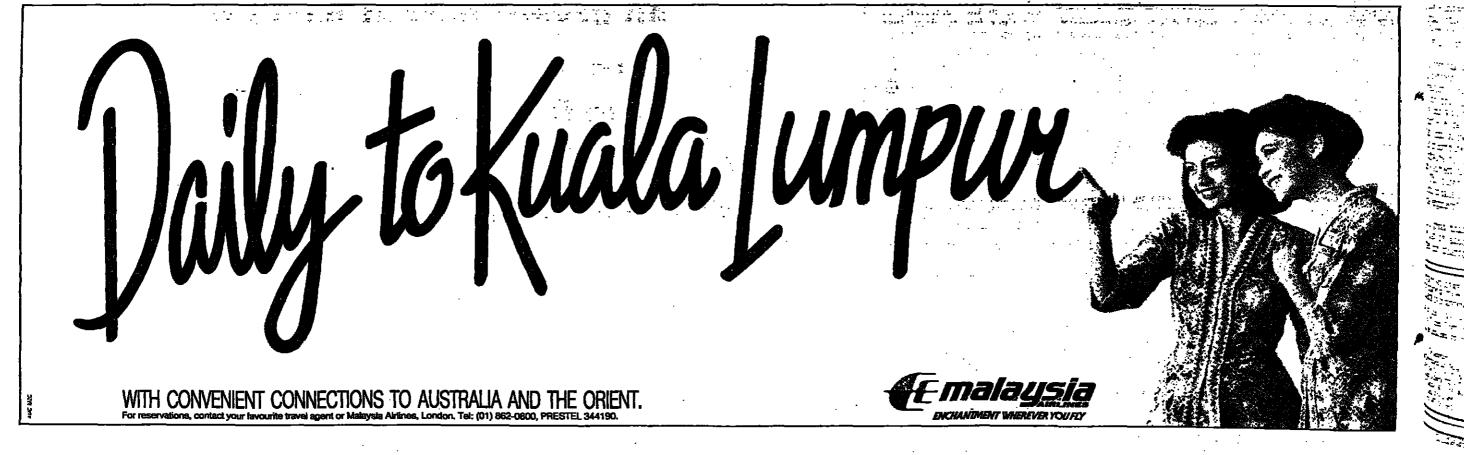
tion in 1979. This week, the administration began to sketch its view of a world with Mr Ortega back in power. A senior US official made clear that the February 25 election, while a "critical step", was only part of a wider process of reconciliation inside Nicaragua and Central America - as set out in the Esquipulas regional accords.

Thus, the US expected all Nicaraguans (including USbacked Contras forces) to be integrated into a democratic system, and it wanted to see the Sandinistas end their support for guerrilla movements in neighbouring countries, notably El Salvador. This message was conveyed to the Soviet Union during high-level talks in Moscow last week.

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STEELS TO SERVICE STATES OF THE SERVICE STAT

The senior US official also made clear the US would not commit itself to accepting the verdict by independent observ-ers such as the Organisation of American States, the United Nations and former President Jimmy Carter on whether the election was free. This is partly due to the Sandinista's refusal to allow a presidential election observer team into Nicaragua.



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WORLD TRADE NEWS

BRUSSELS CONCEDES WIDER ROLE FOR GATT

EC gives way on rules of origin

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CHANGE TESTS INTO NEW

THE European Community in a significant shift of policy has agreed that general principles governing rules of origin should be laid down in the Uruguay Round multilateral trade talks taking place under the General Agreement on Tar-iffe and Trade.

Charged by Japan, the US and Hong Kong with using rules of origin as an instru-ment of trade policy to protect domestic industries, the EC had argued the matter was purely technical and should be handled by the Brussels-based Customs Cooperation Council (CCC) - not within Gatt. Japan, which claims the Community has misapplied rules of origin in taking anti-dumping action against imports of Japanese electronic products, has been particularly keen to have the issue dealf with in the Urumping

guay Round.
Rules of origin are used to determine where traded goods come from and are especially relevant, when exporters try to circumvent anti-dumping charges levied on them by delivering from a third country or by assembling in the importing country. Gatt does not reg-

THE European Community has taken no position on the translation of Gatt into a fully fledged International Trads Organisation at the end of the current Uruguay Round and there has been no such proposal from Italy, EC officials said in Gensva year terday, William Dullforce writes.

In Rome on Tuesday Mr Renato Ruggiero, Foreign Trade Minister, said it was time to revive the idea of an ITO, scuppered by the US Congress in 1947. Mr Ruggiero said establishment of the ITO could de-dramatise possible feilure in the Ruggiery Round.

sible failure in the Uruguay Round. EC officials said the Commission had been considering how agreements on trade in services and intellectual property rights - mat-

ments have had a free hand

and the result has been a com-

plexity of practices, creating

confusion for traders. The EC claims that the US applies 19 different rules of origin.

Yesterday the EC conceded

that trading nations should

commit themselves to respect-ing eight principles for rules of origin within the Gatt frame-work. They should be non-dis-criminatory, neutral, transpar-

ent, predictable and consistent.

All interpretations of the rules should be challengeable before a judicial authority in

the importing country; they should be applied equally for all trade purposes, whether anti-dumping action, public procurement or statistics; and conflicts over the principles should be put to Gatt's dispute settlement mechanism.

But, the EC insisted, the US and other countries, which had not already fully adopted the annexe on origin rules in the CCC's Kyoto Convention, should do so and further discussion on harmonising or cussion on harmonising or technically improving the rules should take place in the CCC. The convention lavs down a

Agreement was also expected today on reductions in non-tariff barriers to trade. For tropical products, of paramount interest to developing countries, governments have to table by March 15 offers for abolishing or substantially cutting trade barriers, Compilation of the line processor.

"last substantial transforms

tion" criterion in determining

In addition, the EC wants the rules it uses under prefer-ential trade agreements, such as that for the African, Carib-bean and Pacific countries

under the Lomé convention, to

be left out of the Gatt talks.

• The Uruguay Round cleared

an additional hurdle yesterday with an agreement on a time

schedule for the negotiations on the elimination of customs duties on tropical products.

the origin of a product.

ters not within Gatt's purview so far

could be integrated into a coherent multilateral trading system. Some kind of umbrella organisation could be envisaged but no common Community view had been elaborated.

Mr David Woods, Gatt's spokesman, said while the ITO idea was very interesting, the emphasis in the Round was on establishing credible new trade rules. Businessmen, seeking a more efficient trading environment.

ing a more efficient trading environment

would not be particularly interested in

whether it was achieved under Gatt or an ITO. But, he added, the group dealing with the functioning of the Gatt system in the Round had been mandated by trade ministers to consider Gatt's future status.

tion of the final package of concessions will start in April. March 15 was set informally subject to agreement today -as the date for the tabling of requests that governments lift

specific non-tariff measures

against imports. With the January 30 compromise over how to negotiate cuts in import tariffs these two understandings would give the Round firm schedules for nego-tiating substantial increases in market access for traded goods.

future for Israeli trade policy

Uncertain

By Hugh Carnegy in

THE resignation this week of Mr Ariel Sharon, Israel's strongly protectionist Trade and Industry Miniater, has focused attention on Israel's

future trade policy.

- His resignation dismayed Israeli industrialists and unions who saw him as a strong defender of their inter-

But his performance evoked less enthusiasm from import-ers, US and European Commu-nity trade officers and Finance Ministry and Bank of Israel officials anxious to promote ss interventionist trade and industrial policies, especially in advance of the 1992 internal market reforms in the EC,

Israel's main trading partner.

"Under his guidance, the ministry has been predominantly pre-occupied with protecting Israeli industry at a very high cost to the Israeli economy and to industry itself in the long run," said one senior businessman yesterday. "In view of Eastern Europe opening up and 1992, (Mr Sharon's departure) may be a very timely opportunity for Israel to change things."

Although Israel has free trade agreements with the EC

and the US, Mr Sharon's readiness to use various levies and non-tariff barriers such as tough labelling and standard requirements for imports has drawn frequent complaints from Washington and Brussels. But Mr Sharon's defenders, including the Manufacturer's Association argue that Igraeli Association, argue that Israeli non-tariff barriers are no worse than in other countries, including the US and the EC. They also point to the large EC trade surplus with Israel.

THE HIGH technology stand in favour of US industry co-operation with Japanese government-sponsored research projects, as well as those in Europe, is likely to place him at odds with other US electronics industry leaders and members of Nacs.

High tech chief calls for

international collaboration

As a staunch Republican, Mr Morgan is likely to receive a sympathetic hearing from the Bush Administration, which has recently been embarrassed by criticism from other electronics industry executives for its lack of leadership in efforts to maintain US competitive-

ness in high technology.

Mr Morgan's views also won
the guarded approval of Mr
Cees Kriigsam, the chairman of the Joint European Submicron Silicon Initiative (Jessi), who attended the Applied Materials meeting as a member of the company's board of directors. International co-operation in high technology research "has

company's annual shareholder's meeting in Silicon Valley become an imperative" said Mr Mr Morgan's controversial Krijgsam. "What is very impor-

By Louise Kehoe in San francisco

industries of the US, Europe

and Japan must form multina-tional collaborative research

consortia to solve technology

challenges, rather than limit

co-operative efforts to national

or regional groups, a prominent Silicon Valley electronics

industry executive has pro-

"Without co-operation, we could see a world where tech-

nological nationalism and pro-

tectionism choke the flow of

progress and opportunity for all nations," warned Mr James C. Morgan, a member of Presi-

dent Bush's National Advisory Committee on Semiconductors

(Nacs) and chairman and chief

executive of Applied Materials, the leading US manufacturer of

semiconductor production

He launched his ideas at his

tant is not which countries are co-operating, but whether there is true reciprocity," he explained. "If one party loses then co-operation is a failure," International co-operation

will happen in electronics whether or not it is encouraged by politicians or industry leaders, suggested Mr Krijgsam. "The issue is finding ways to cope with it."

Mr Morgan envisages "international teams, working jointly together in the pre-competitive stages of research and development of a new technology. Such co-operation would elimi-nate duplication of effort and reduce risk, he suggests.

Individual companies have already established international co-operative ventures, Mr Morgan noted, citing the recent agreement between IBM and Siemens to develop advanced memory chips, and a similar pact between Texas

Unhappy interface for computer industry rivals

Lucy Kellaway unravels a row over copyright

NOBODY can remember when a Brussels directive ruffled so many feathers. Even a 1979 measure protecting wild birds, which caused near hysteria among French nature lovers, was uncontentious compared to a draft proposal on copy-right protection for computer

The directive has divided the computer industry. One side says that if it goes through it will be tantamount to handing the whole European computer industry to the likes of IBM and DEC. The other side says that if the directive is blocked, the industry will be wide open to pirates of all nationalities, Japanese ones in particular.

The measure is a part of the single market in computer services, and sets out to establish a single rule for protecting European software. The princi-ple is uncontroversial: everyone agrees that computer programs should be subject to copyright laws - indeed such measures already exist in the UK, West Germany. France and Spain as well as in the US

The row is over the balance to be struck between competition and protection, it has been sparked by two provisions in the directive: one would make the "interface" - ie the part of the program that allows two different bits of computer hardware or software to talk to each other—subject to copy-right law. The other would make it illegal to take to pieces (or "reverse engineer") a pro-

There is a great deal to be gained or lost by each side. The market for interoperable

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computer systems (le those that are made up with parts made by different manufacturers) in Europe is growing at about 50 per cent a year, rap-klly gaining market share from the proprietary systems, domi-nated by IBM. At the moment the role of small and medium sized European companies is fairly strong in this market: the danger is that a more restricted market place would give power to those with the

most money.

The general principle underlying copyright law is that an idea expressed in a program does not belong to anyone and should not therefore be pro-

When it was discussed by industry ministers many seemed not to understand the brief so resolution may be some way off.

tected; it is only the expression of that idea that should be subject to copyright. The problem seems to be that an interface involves a bit of both, so there is room for disagreement on whether it should be protected, and on whether reverse engineering should be allowed to get at it.

Committee for Interoperable Systems (Ecis), which has fined up behind it such companies as Amstrad, Apricot, Olivetti and a European subsidiary of Fujitsu, the Japanesecomputer group. It argues that an interface is an idea, and pre-dicts dire competitive implica-tions if it is granted copyright protection. It argues that in explicitly banning reverse engineering, the directive is pre-venting the industry from a legitimate way of understand-ing how the interface works. Unless companies reverse engi-

neer, control will always rest with the company that built The other side is the Soft-ware Action Group for Europe (Sage), which includes IBM.

Apple, DEC and Siemens. Sage argues that the ideas inherent in interfaces are available anyway as part of common indusway as part of common industrial practice. In the case of personal computers, it says, they can usually be got at simply by reading the manual (a claim hotly disputed by the other side). Moreover, if any company was restriction company was restricting access to its information, Sags notes that the Commission could intervene under Article 86 of the Treaty of Rome.

It says that to allow reverse engineering would simply be an invitation to the pirates. Moreover, the kind of reverse engineering techniques that would allow one company to examine another's work are very expensive, and were it allowed, it would therefore make it easier for large companies to reverse engineer a small company's product, rether they properly

> To make matters more complicated, both sides have drawn on the complexity of copyright law to claim that copyright protection in the US supports their case. The US does not permit reverse engl neering unless it is for a "fair use", and even though this has never actually been put to the test in court, a recent opinion from the US Government sug-gests that a defendant using this for copying an interface would get a particularly sym-pathetic hearing.

rather than vice-versa.

Within the commission the issue has got bogged down under a weight of propaganda from both sides. The European Parliament, which had previously been sympathetic to Ecis, is now having second thoughts and is waiting for clarification from the Commission, which is expected shortly

Meanwhile the position of member states is also con-fused. The issue divides more along industry than political lines, and most member states do not know which way to turn. When it was discussed briefly by industry ministers in December, many seemed not to understand the brief - so resolution may be some way off.

E Europe to double telecom spending

By Hugo Dixon

SPENDING telecommunications equipment in Eastern Europe is expected to double between now and the and of the century, according to a study published this week by the UK-based Telecommunications Research Centre (TRC).

This explosion in deman spurred on by political reforms, will make Eastern Europe the most important growth market for telecommunications equipment this

Total worldwide spending on telecommunications equipment will increase by 65 per cent, from \$122bn to \$200bn, between 1990 and the year 2000, says the

on TRC. This rate of growth, which is slower than that experienced in the past decade, largely reflects the fact that most developed countries are well into their network modernisation programmes.

By contrast, spending in Eastern Europe, including the

Soviet Union, is forecast to double over the next decade to \$32bn as the new governments seek to catch up on decades of underinvestment. The penetration of telephones in Eastern Europe is about a quarter of what it is in the West. In 1988, the USSR had 35m telephone lines, equivalent to 12 lines for every hundred peo-

ple; Poland had 2.8m lines (a 7 per cent penetration); Romania had 2.3m (10 per cent); Bulgaria had 2.1m (23 per cent); Czechoslovakia had 2.0m (13 per cent); and East Germany had 1.7m lines (10 per cent). At the same time, the US had 125m lines, equivalent to 51 for every 100 people; West Germany had 27.7m a penetra tion rate of 45 per cent; and Sweden had 5.5m (65 per cent).

Telecommunications Equip-ment World Market Perspective 1990-2005, Telecommunications Research Centre, 4|5 The Square, Barnham, Bognor Regis, West Sussex, PO22 OHB, UK. £395.

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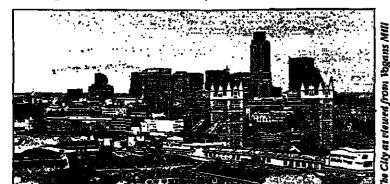
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FINANCIALTIMES

UK NEWS

Expected rise in mortgage rates likely to hit inflation

By David Barchard, Peter Norman and Andrew Taylor

HOME BUYERS in the UK face per cent from 14.5 per cent to raise mortgage rates. Yestera new round of mortgage interest rate increases after Abbey National, the second largest mortgage lender, yesterday raised its main lending rate by 0.9 percentage points.

The increase, which sur-prised other lenders by its size and timing, will boost the annual rate of UK inflation while adding to distress among borrowers and dealing a further blow to an already sick British housing market.

If other lenders match Abbey

National's mortgage increases, Britain's annual inflation rate will rise by around 0.5 percent-City analysts estimate that inflation, which was 7.7 per cent in December, could be

back around 8 per cent in April as higher mortgage rates and the effects of the community charge or poll tax feed through into the retail prices index.

gage interest rate rises to 15.4

with effect from today for new borrowers. Existing borrowers will pay more from March 1 when rates for savers will also increase by around 0.75 per-

Mr John Bayliss, Abbey National's Managing Director, said rates to borrowers had been kept down as long as pos-sible after last October's one point increase in bank base rates to 15 per cent. Mr Bayliss said: "The interests of our 8m savers cannot be ignored, therefore a mortgage rate rise is now unavoidable."

Halifax and Nationwide Angha, the two largest home loans and savings groups, indicated they will follow Abbey National and put up mortgage rates soon. Their rates are likely to rise from March 1 likely to rise from March 1. though the two societies may try to hold their lending rates below Abbey National.

The clearing banks would then be under strong pressure

day the banks said that they were reviewing the situation. A further round of increases would take building society interest rates to their highest level since October 1981, put-

ting strain on borrowers.

The Council of Mortgage Lenders yesterday reported a rise in arrears and reposses-sions in the second half of last year. More than 58,000 borrowers, out of a total of 7.95m building society mortgages, were more than six months in arrears at the end of 1989. Neither the Treasury nor the

Bank of England appeared disturbed by yesterday's news.
Officials said higher mortgage rates became likely once
it was clear that there would be no early reduction in base rates. Mortgage rates had been low relative to base rates, while data suggested consumer

demand was not as depressed as had been thought, they said. Lex, Page 16

Hurd defends sanctions policy

step with the United Nations. ish companies would be

By Ivor Owen, Parliamentary Correspondent

Mr Douglas Hurd, the Foreign Secretary, told the House of Commons last night he would consult Britain's EC partners in Dublin on Tuesday about the Government's intention to stop advising UK companies not to undertake new investment in South Africa. He insisted, however, "the

logic of the voluntary ban on investment has run out". Mrs Margaret Thatcher, the Prime Minister, was a notable absentee from the Government

front bench when Mr Gerald Kaufman, the shadow foreign secretary, renewed Labour's attack on her refusal to keep in

the US and EC over the relax-

Mr Hurd endorsed the Prime Minister's view that the initial moves towards changing South Africa's apartheid system justified a positive response, but ran into difficulties over the implications for earlier UK

undertakings to the EC. He said the Government would not be instructing British companies to re-invest in South Africa. It would be a matter for their judgement on "straightforward commercial

grounds".

Mr Hurd stressed that Brit-

looking to South Africa's prospects as a stable and prosper ous country, and argued that they would be improved if an incentive to continue his

Mr Kaufman, who described Mrs Thatcher as the "world's best friend of apartheid", pressed Mr Hurd to say whether, in unlisterally with-drawing the advice to British companies not to invest in South Africa, the Government would be in breach of under-takings given to the EC.

Oil giants cleared of price-fixing

By David Thomas, Maurice Samuelson and Ralph Atkins

CLAIMS that the big oil companies collude to keep the price of petrol artificially high were rejected yesterday by the Monopolies and Merg-ers Commission after a year-long investigation. The commission's 470-page report rejected allegations that oil companies made monopoly profits from petrol wholesaling, or from their other downstream businesses.

In one of the most comprehensive vindications of an industry it has published, the commission found that UK pump prices are mainly determined by international oil prices and that oil companies do not implement petrol price rises more quickly than price falls.

The commission made no recommendations for structural changes in the retailing of petrol-one of the most politically sensitive of the oil

cent of UK consumer expenditure. The only action proposed by the commission was for a regular annual review by the Office of

Fair Trading (OFT) of pressures which might lead to reduced competition in the industry. The oil companies, which had feared that they might be forced to alter fundamentally their price support and licensing arrangements with petrol stations, warmly welcomed the commission's findings. They agreed that they needed to

explain their business more effectively.

By contrast, the Petrol Retailers' Association, which represents independent dealers and which spearheaded the criticism of the off comthat no changes were to be made in such a large



Commission

fails to agree on UK sea dumping

By John Hunt, Environment Correspondent

OFFICIALS from the 13 countries on the Oslo Commis-sion, meeting in London yes-terday, failed to reach agreement over demands that Britain should cease dumping industrial waste in the North

Sea.
The commission implements the North Sea Conference agreement to ban dumping. The complaints came from Germany, Sweden, Denmark, the Netherlands and Norway.

As a result, Britain will continue to renew dumping licences for the time being although it is committed to phasing them out as soon as

Mr Chris Patten, the Envi-ronment Secretary, is likely to come in for criticism when he defends Britain's position at the third North Sea Conference

in The Hague in March. Mr Paul Horsman, Green peace campaigner, said last night, "Britain was in a minor ity of one at the meeting."

A spokesman for the Depart-

ment of the Environment said, "We have reduced dumping by 50 per cent since 1980. We expect to terminate most licences within two years."

Under the North Sea Conference agreement, all signatories were committed to end dumping at the beginning of this year. They could only continue if there were no practical alternatives on land and the materials posed no risk to the

marine environment.
Britain, currently the only member country to continue dumping in the North Sea, claims that the activities of UK companies fall within this

The complaints at yester sion concerned three licences

judge stressed to the 80 or so

jurors-in-waiting, from whom

the new jury will selected, the importance of being sure that

they could attend court daily

Mr Saunders' co-accused are

Mr Gerald Ronson, chairman

of the Heron group, Mr Anthony Parnes, a City stock-

broker, and Sir Jack Lyons, the

for up to six months.

millionaire financier.

Whisky group urges equality in

Scotch moves in his March Budget towards the equalisation of excise duties on all alcoholic

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Discrimination against whisky should be reduced by taxing all drinks according to degrees of alcohol content, it

The association also pres for the introduction of a mainration allowance for all stocks of maturing whisky distilled

BZW man quits

comes only two weeks after a batch of redundancies in the company which was heavily concentrated on the market-

of its funding.
The council claimed that under new legislation it would lose lucrative business rates and would have to concentrate arts grants on local rather than

'Absurd' recycling Friends of the Earth, the environmentalist lobby group, has called the state of waste paper recycling in the UK "absurd". as it published a report on the waste paper industry and barriers to recycling.

Ms Peni Walker, the recycl-

ing campaigner at the FoE, said "the waste paper that is easiest and cheapest to collect is not being fully utilised, and the high-quality waste paper needed to make recycled stationery is used for short-life unre-coverable products."

Clarke criticism

Sky subscription

ers, is early evidence that sat-ellite television viewers might be prepared to pay monthly

Lynx, the anti-fur pressure group, claimed success for its campaign. "In less than five years the British public has become aware of the extreme and totally unnecessary cru-elty involved in the production of fur coats."

Drive against AIDS

The Health Education Authority's latest £2.7m press and TV advertising campaign greenhouse effect.

James Seddon UK, which makes shirts for Marks and

Spencer which employs 2,000 at eight factories in the UK went into receivership yesterday after losses and cash flow problems following its 1987 acquisitions of the control tion of Havelock, a blouse

ton, which has been appointed receivers, said the economic downturn and the textile industry's troubles were not factors in the company's diffi-

Judge orders fresh start in Guinness case

By Raymond Hughes, Law Courts Correspondent

THE Guinness trial came to a sudden halt yesterday morning after a juror asked to be excused on health grounds and the entire jury was discharged. Selection of a new jury at Southwark crown court, London, will be completed on Friday and the trial, which is expected to last until late July, will start afresh.

It was the second false start to the case in which Mr Ernest Saunders, the former chairman and chief executive of Guinness, and three other City figures have pleaded not guilty to criminal charges arising from the 1986 takeover battle for the Distillers drinks group. The jury was selected on Monday and the prosecution had been due to make its opening statement the next morn-

On Tuesday, however, two jurors were excused - one because of an intermittent medical problem, the other for work reasons.

Replacements were sworn in, the indictment was read out for the second time and Mr John Chadwick, QC, spent two hours outlining the prosecu-

because she suffered regular attacks of migraine, the trial judge, Mr Justice Henry, decided after discussions with the prosecution and defence lawyers that the trial should be restarted with a completely

It would, he said, he wrong to go on with a trial of such length and complexity with only 11 jurors and, "as the defendants unanimously, and for proper, understandable and non-tactical reasons, wish the whole selection process to be

The charges on the 24-count indictment relate to an alleged unlawful share support operation mounted by Guinness durtion case. Yesterday, when the third juror asked to be excused done again, that must be the right course." Yesterday afternoon the ing its bitterly fought takeover battle with Argyll for the Dis-

Lengthy trials expose difficulties in finding 12 "good men and true"

Raymond Hughes on problems with juries and lessons from the US

HE aborting of the first Guinness trial on its third day because of the need to discharge a juror for health reasons is likely to revive the debate about the use of juries in fraud trials.

The emphasis, however, will not be, as it has been in the next, on the shifting of 12

has been in the past, on the ability of 12 men and women randomly selected to cope with the minutiae of a complex fraud but on the impossibility of guaranteeing that, in the course of a long trial, the jury will not be reduced below the legally permitted lowest limit of nine by reason of death or

The argument in favour of substituting for trial by jury, trial by judge alone or by a tribunal consisting of a judge and two lay members will be seen as having been strengthened simply because, statistically, the fewer people involved the longer the odds against one falling by the wayside. (The case in March, 1988, when a trial had to be stopped after the judge, one of the defendants, two witnesses, a barrister

and a juror all died, can be regarded as an aberration). Another solution which might now be considered would be to adopt the US sys-tem of standby jurors, of whom anything between two and six are sworn in and sit in on the trial ready to step into the jury

box when needed. The use of a replacement is at the discretion of the judge, who can either adjourn the hearing if a juror's indisposi-tion is going to be brief, or bring in a

most sophisticated corporate criminal cases and there is no move to change that

From the defendants' point of view, hav-ing 11 of the original jury hearing the first part of the prosecution's opening statetionally-based. Juries are used even in the

The very complexity of fraud trials means that they are likely to last considerably longer than other criminal cases. Whereas a fraud trial is usually measured in months, the average length of the 106,000 cases sent to Crown Courts in 1988 was 7.4 hours - two days' court time. If a jury is reduced by one or two when a trial has only a relatively short time to run the judge can reasonably carry on in

the hope that no further problem will But if it happens, say, two months into a six month trial the risk is that much greater and the potential consequences in terms of cost and, of equal if not greater importance, the additional strain imposed on defendants if the trial eventually has to be abandonned and a fresh start made,

become much more critical. There was agreement at the Guinness case that it would be too great a risk to carry on with a jury of 11 with possibly six months to go.

There was, therefore, little alternative but to start afresh by empanelling a new jury. Swearing in a replacement juror would in any event have required a return to square one, with the indictment being read over to the jury again and the prosecution starting its opening statement

ment for a second time might have been regarded as possibly prejudicial. The problem must not be overstated, however. The situation that has arisen in the Guinness trial is, if not unprecedented,

at least unusual. For example, the last

long fraud trial at Southwark Crown Court was the Alexander Howden case which ran from May to Angust last year without losing a single juror. In 1988 juries returned verdicts in nearly 27,000 criminal

However it has pointed to the need for even greater stringency in the already rea-sonably comprehensive jury empanelling

About 100 jurors-in-waiting had been creened for the Guinness trial on Monday. All were given two lists of questions to answer: one to ensure that they had no connection with the case, the defendants or the witnesses, the other dealing with

their personal situation.
Forty were excused from service because they had a holiday booked, were to be married or had an examination duration to be married or had an examination duration to be married or had an examination duration. ing the next six months, or because they had a medical or health problem, or for business or work reasons, such as being self-employed or indispensable to their employer's business.

. A panel of 20 was selected from those remaining and the eventual 12 chosen by The trial began on Tuesday, only to be delayed on Wednesday morning when two

of the 12 had to be discharged - one because of an intermittent medical problem, the other for work reasons. The discharge of a third yesterday because she suffered from intermittent migraine - something she had not thought to mention when ques-tioned - showed the need for more detailed questions to be asked of those being asked to serve on a jury for six

NEWS IN BRIEF

excise duty Association yesterday urged Mr John Major, the Chancellor of the Exchequer, to begin

period of three years.

Mr Peter Holloway, 49-year-old head of equities and market making at Barciays de Zoete
Wedd, the stockbroking group,
has quit after a difference over
management style.

Mr Holloway's departure

making side.

Arts rescue package The Arts Council has stepped in with an emergency rescue package worth more than £2m to save the English National Opera and the English National Ballet, from possible closure after Westminster City Council withdrew 90 per cent

Family doctors who claim that the Government's new contract justifies the removal of patients from their lists are dishonest and unprofessional," Mr Kenneth Clarke, the Health Secretary, said yes-

He rejected claims that the contract would create financial justification "or any respectable excuse" for removing

Mr Rupert Murdoch's Sky Television has already signed up close to 300,000 homes for its Sky Movies channel, the film subscription channel that costs

just over \$9 a month
The total, which represents
around 50 per cent of Sky viewers with their own dish receivers

No fur at Harrods

Harrods, the London department store which is part of the House of Fraser group, said that it would close its fur salon in April for "commercial and economic" reasons due to the fall in demand for furs.

A major anti-AIDS drive was launched in the UK yesterday amid serious misglvings as to how effective it will be.

warns that Aids could be as potentially disastrous as the Textile receivership

Mr Allan Griffiths, a partner in accountants Grant Thorn-

In-house credit

Chartered Trust, the finance house subsidiary of Standard Chartered Bank, is to launch an in-house credit card aimed at small and medium-sized retailering groups and individ-ual shops, particularly those trading outside the London

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UK NEWS

Westland signs memorandum with Franco-German helicopter venture

WESTLAND, the UK beliconter manufacturer, has signed a memorandum of understanding with Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany to join the development project of a new army support helicop-

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s funding. e council claimed to new legislation in

e dancs on all the continues on all the Doubts about the British Government's commitment to a four-nation anti-tank helicopter project have prompted Westland to make a provisional agreement with the rival Franco-German venture for the aircraft, recently renamed the

> Light Attack Helicopter (LAH) project in which Westland is already involved with Agusta of Italy, Fokker of the Netherlands, and CASA of Spain.

A Ministry of Defence (MoD) decision on whether to con-tinue with the LAH, currently in a cost-definition phase, is The prime rival, favoured by

British Army commanders for its heavier firepower, is an upgraded version of the McDonnell Douglas AH-64 Apache, which was used for the first time in combat during the US invasion of Panama last

Westland has already signed a memorandum with McDon-nell Douglas for production in



Apache: favoured by the British Army over European rivals

bine reconnaissance and light

The Franco-German project

will, however, become the

main rival for the Apache if Britain withdraws from the

LAH, as is widely expected. The LAH, based on Agusta's

current A-129 helicopter, has

the UK if the MoD opts for the more expensive US helicopter. It has therefore now ensured its participation, whichever of the three army helicopters is chosen. Besides these three, Britain has also been looking at the US experimental LHX programme which would com-

been dogged by disagreements over specifications. The House of Commons Defence Committee said in a report earlier this month that prospects did "not look good" for the project being completed without fur-ther difficulty and delay.

The France-German Tiger also beset by delays since a first agreement was signed six years ago, moved into full development in December, under a DM 1.9bn (£690m) contract. The first prototypes are due to fly by mid-1991.

Westland's agreement covers westman a agreement covers production of a UK derivative, with the company's workshare reflecting the helicopters ordered by the UK.

The French and West Germans both work the result of the result o

mans both want the Tiger for anti-tank operations, with an additional French requirement version. France has insisted on building in versatility in the hope of enhancing export pros-pects for the aircraft. The helicopter was previously known as the PAH-2 Germany or HAC/HAP in France. The British Army needs to

replace its Lynx helicopters. Senior officers have argued that neither the LAH nor the Franco-German Tiger is heavy enough to carry the range of weapons needed for the future battlefield.

Marks and Spencer sets sights on recruitment in continental Europe

Lisa Wood on British involvement at a Belgian recruitment fair

recruitment manager of Marks and Spen-cer, gently nudged the young Belgian woman in the direction of one of his colleagues. "Je ne parle pas le Francais,"

he murmured. Mr Shaw, along with four other M and S staff employees who did speak French, was staffing a stand at Belgium's largest national two-day recruitment fair, organised by Co-Media, a publisher of stu-dent magazines and literature. An estimated 650 people at the event spoke to Mr Shaw and his colleagues about work-ing in Britain with more than 1,600 information packs, containing specially re-written application forms, picked up by the throng of young people who crowded around the stall. M and S, Britain's largest retailer, along with John Mow-lem, the UK construction group and Valeo, the French car parts group were the only

foreign companies at the fair
- although Belgian subsidiaries of multinationals like American Express were well represented.

The presence of M and S, Mowlem and Valeo is indica-tive of an emerging trend in

domestic recruitment programmes into other European Community countries. This is distinct from the well-established practice of foreign subsidiaries of multinationals hiring local people for foreign

Mr Shaw, who will also be attending recruitment fairs at Antwerp and Paris, said: "Everybody wants to know why we are here. We tell the students that we are not having difficulties recruiting in Britain at the moment but that with this strategy in place we will be well placed to recruit more people abroad in the future if it is necessary. In addition we want people who are prepared to travel, who have horizons beyond those of their own country. We are looking for an international

Human Resources at Valeo, has a similar perspective.

Today, there is not a need to recruit like this - but we are seeking to develop a resource of people who are mobile both geographically and intellectu-ally. The idea is that in the future, as international career

Mr Damien Rasse, director of

development becomes more Mobility, language skills and

"the ability to work with different groups of people without prejudice" were the main qualifications, said Mr Rasse, for managers with a "European approach."
"Nobody has raised the issue

with us of wanting to be a Euro-manager," said Mr Philip Ulyett, manager of M and S's store in Lille, France. Mr Ulyett, a fluent French speaker, who was assisting on the M and S stand, said students he had talked to had expressed willingness to travel but no great enthusiasm for an international career." Mr Ulyett's first impres

are endorsed by Ms Chris Lam-brecht, the organiser of the fair. "Not that many people are keen to go abroad for long peri-ods. Many would like to work outside of Belgium for four or five years but then they would like to come back." Ms Lam-brecht said she had not set out actively to promote the fair abroad. "It is probably a bit early for me to launch a big campaign," she said. Equivalent merits of qualifi-cations, said Ms Lambrecht,

was one problem companies recruiting within the EC had still to tackle. "I don't think it is easily solved," she said "but bright young people will find

their way all over the European labour market." Ms Lambrecht had spent a day with M and S talking about equivalency of qualifica-tions - with this being reflected in questions on the application forms. Commonplace British questions, such as whether applicants had done training in the Combined Cadet Corp/Air Training Corps or the Duke of Edinburgh Award, had been replaced with more general questions about

dership experiences. Young people at the fair expressed surprise that companies like M and S and Mowlen recruited from a wide variety of academic qualifications. On the Continent degree qualifica-tions are more vocational in character than British ones.

Opportunity to practice English was the most frequently cited reason for wanting to work in the UK, with many students expressing a wish to only work here for a short period.

Mr Thierry Vierin, a 21-year-old Law student, said: "I don't like England and its reserved island mentality, but it is necessary to go there to improve my language. Everybody should be able to speak two or three languages."

European link urged for UK gas market

By David Thomas, Resources Editor

THE gas market in Britain will not be fully competitive until a link is built with the Continent's gas grid, the House of Commons Energy Committee

said yesterday.

The committee also called The committee also called for a review of the system of gas prices for large indistrial customers and of the gas levy, under which British Gas pays the Exchequer 4p a therm for gas that comes from older gas fields.

contained in an 83-paragraph report on industrial and com-mercial gas prices, in which the committee urged Ofgas, the industry's regulator, to moni-tor British and Continental gas prices closely to ensure that the higher prices currently charged by British Gas were

nation of the practicalities and cost benefits of constructing a link with the European gas grid has been made known to us. We are persuaded that a fully competitive gas market cannot exist in Britain without

The committee asked Ofgas to consider whether to re-intro-

THE ECONOMY has passed the point at which it could have tipped into recession.

according to an upbeat assess-

ment of the state of UK busi-

The latest quarterly eco-nomic survey by the Associa-tion of British Chambers of

Commerce - which covers 12 regions and more than 3,000 businesses - says that business prospects now appear to have stabilised after a pro-

longed downtum.

The chief cause for confi-

dence is that more manufacturers are reporting increases in home orders than in the previ-

ous quarter. At the turn of the year, 36 per cent reported an increase, while 31 per cent reported a decrease. The balance between the two — which

gives a guide to the trend - is

five per cent.
This represents the first

break in the sustained decline of previous quarters. Had the

decline in home orders contin-

ned, this "would have suggested recession," the BCC

says.
While the increase in base

Business stabilising

after long downturn

could negotiate individual contracts with British Gas for supplies subject to interruption at times of peak demand.

Individual contracts were replaced last year by uniform prices following the recommen-dations of a Monopolies and Mergers Commission report, but British Gas and some of its customers have criticised the inflexibility of the new

The committee is worried that the gas levy could act as a disincentive for new invest-ments in old fields. It quotes estimates that halving the gas levy would cost the Treasury £160m in 1991.

The report also highlights ways in which the present regulatory regime might be encouraging the wasteful burn-

ing of gas.
It urges the Government to consider amending the 1886 Gas Act to lower the consumption threshold - currently 25,000 therms a year - at which businesses move into the contract gas market. It also suggests strengthening Ofgas's powers to promote the efficient

use of gas.

• Industrial and Commercial to consider whether to re-intro-duce the system by which large industrial customers first customers for customers for customers for customers for customers first customers for customers for

rates last October did not deliver a new shock to demand, depressed domestic

markets made manufacturers

month's record exports growth of six per cent in December to reveal that the balance of firms

reveal that the casenes of hims reporting increases in export deliveries jumped to 15 per cent in the fourth quarter, compared to just four per cent in the third.

The level of manufacturers'

planning to increase invest-ment is dropping. However, the

survey does not show a net bal-ance of firms reducing their spending plans.
High interest rates were the

overriding preoccupation of 78 per cent of respondents, who said a cut would improve busi-

ness prospects. Almost as large a proportion declared that lower inflation would allow

business to pick up. Concern over high pay set

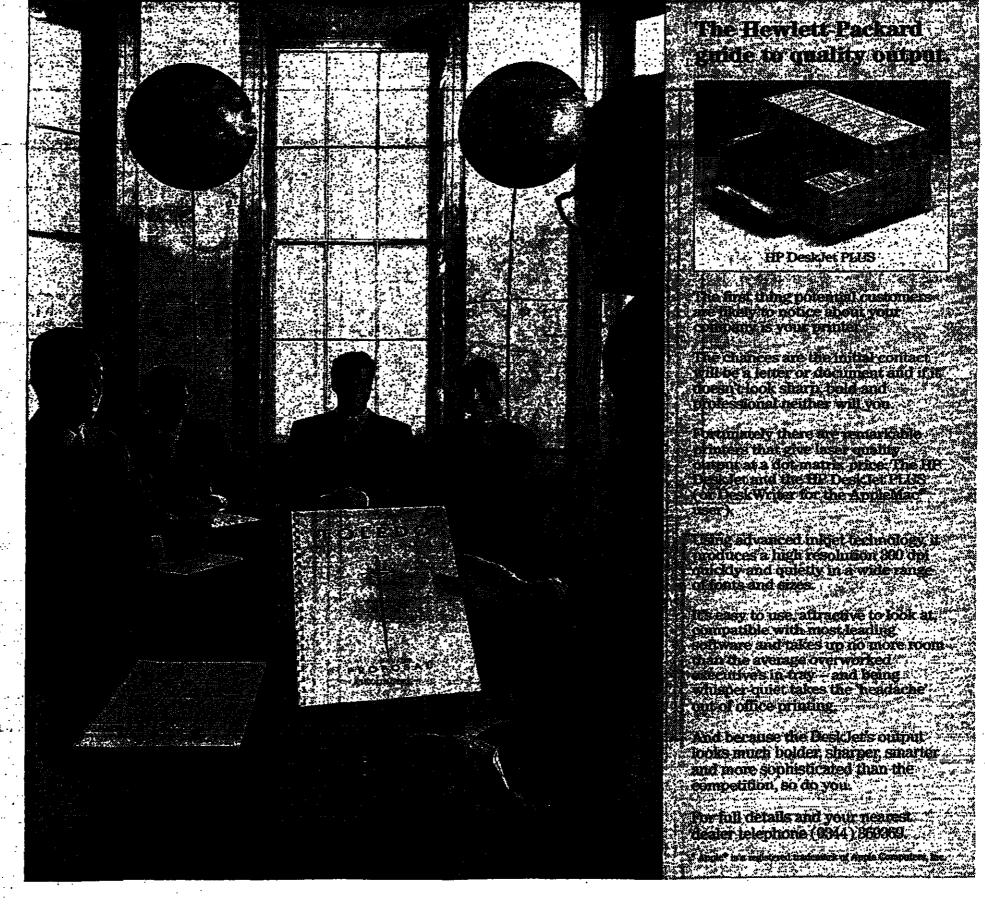
tlements was small - which

the BCC attributed to the fact that employment growth had slowed to reflect reduced

The survey confirmed last

look overseas.

Sharpen your company image.



Call for single authority to monitor oil rig safety

THE oil industry yesterday called for a single regulatory authority with the power to close down unsafe North Sea

The UK Offshore Operators Association, representing the 36 companies involved in North Sea exploration and production, told the Cullen Inquiry into the Piper Alpha disaster that this authority must be properly resourced to enable it to assess manage-ment quality and to carry out Dr Harold Hughes, the Asso-

that since the July 1988 Piper Alpha tragedy, his industry had been reassessing its systems, procedures, standards and equipment to enhance safety. Its recommendations were intended "to ensure as far as is humanly possible that such a tragedy should not occur again."

The single regulatory authority would have the resources to ensure that an operator operator was fulfilling its responsibility for offshore safety, and with the power to order remedial action or to **PACKARD**

THE POSSIBILITY MADE REALITY.

UK grocery retailing

How Safeway is enlisting customer power

Maggie Urry reports on the chain's 'meet the people' policy

characterised by price wars, and in the 1980s by the arrogance bred by insatiable consumer spending, the 1990s is likely to be a period when shops need to woo customers by carefully identifying and satisfying their desires.

Successful shops will be those which give the shoppers what they want in terms of what products they want, at the price they are prepared to pay, in the surroundings they find convenient. Like many things which seem obvious, these ideas are too often missed by those involved.

Alistair Grant, chairman of Argyll Group, which bought the Safeway food retailing chain in early 1987, says that while the company can endeavour to control internal aspects, such as costs, it is completely dependent on something

outside its control — customers.

One of his priorities for Safeway is to differentiate it from other food retailers by making it recognised as the one which is most responsive to customer needs, both nationally and at store level.

Argyll is number three in the food retailing league table after J Sainsbury and Tesco. Grant sees those two as uncatchable, barring disasters, so Safeway must find a way to be distinctive.

A recent Which? report said that Safeway is regarded by shoppers as having helpful staff, with packers at the check-outs. Verdict, the retail market research group, says Safe-way also scores by having a much

f retailing in the 1970s was larger range of products on offer more than twice as many lines as Sainsbury - and stocks "regional"

> However, this wide range, and the lack of a strong own-label identity, can be confusing. And Safeway is behind Sainsbury, for example, in putting electronic point of sale technology to use in offering discounts or unit pricing, which allows customers to compare prices per 100 grams, say.

As part of Grant's campaign Safeway set up a customer sugges-tion scheme in a store which it opened last July in St Helens, Mer-seyside, an area where it was not well known. The store – one of the biggest in the chain – took more than any other Safeway in the week before Christmas.

The scheme also proved successful and has been extended to 14 stores, ranging from Penzance in Cornwall to Irvine in Scotland.

There is nothing particularly new asking customers for comments. But Safeway has taken the scheme a step further by organising a "cus-tomer conference" – which it reckons is the first of its type in the UK. One hundred people were selected from the 1,000 plus St Helens shoppers who had sent in comments. The aim was to invite a cross-section from different age groups and backgrounds - though, as one pointed out, no disabled people

were there. Inevitably there is an element of self-selection in that only articulate, interested people are likely to

respond in the first place. Even so Safeway managed to find some single parents and lone male shoppers.

The participants were bussed to nearby Southport, where, among the faded elegance and wrought ironwork, they spent a day grilling Grant and other Safeway executives and participating in small group tions. Stuart Hall, of the It's a Knockout television contests, acted as master of ceremonies. Hall, who lives locally, is a "genuine Safeway

shopper," says Grant. Alan Taylor, Safeway's divisional marketing director, explained that "in Safeway we're obsessed about talking to our customers. We want to get closer to customers than any other retailer. We will measure satisfaction in your terms.'

Shopping, he said, can be boring and Safeway would like to make it easier, even enjoyable. "Today's shoppers' panel moulds tomorrow's Saleway," he promised. Already changes are being made

as a result of customers' suggestions, Taylor reported. From the start it had become apparent that motorists and pedestrians alike hated the "way in" and "out" to the store, which is on a busy road. Safeway used the shoppers' complaints to put pressure on local planning authorities; a second exit from the car park is to be built shortly and a pelican crossing installed. Trolley designs have been

changed since many shorter customers complained that the handle was too high and picking things out of the trolley was difficult, Grant says. Shallower trolleys with lower handles had been introduced. A question and answer session

threw up a number of issues. although there was a general con-sensus that the store was attractive and the staff friendly. Could the two-hour free parking

limit be extended? Why was there so much South African fruit on offer, sometimes without an alternative? Could the "kiddles' trolleys" scaled down versions of shopping trolleys — be phased out because small children kept running into adult customers? Could the coffee shop offer children's meals after school hours? What about a creche? Why are trolleys scattered all over St Helens? What about food irradiation? How will Safeway compete with Marks and Spencer and Sainsbury in the 1990s? Could Safeway introduce unit pricing? What about a home delivery service? Could the take-a-ticket queue system at the delicatessen counter be changed it was like queueing for the dole?

Many ideas were discussed and put to the vote by Hall. A majority was happy to buy South African fruit, preferred the two-hour parking limit, knew little about irradiated food, liked the ticket system, wanted the children's trollevs

Other suggestions were put forward. The children's trolleys -which Grant said were so popular with some shoppers that they kept disappearing into car boots - were part of a general problem of taking children shopping. One shopper people throughout the group that

suggested that the store could help parents if it introduced the incentive of a badge awarded to well-be haved children. Grant said he was nervous about

having a crèche in case children were taken away by people other than their parents. Why not attach a number to a child and give a ticket to its parent, said one shop-While none of the questions was

unexpected, since most were typical shoppers' concerns, Grant says that however much he reads research on what customers want, when a mother of three tells him what she finds annoying it has much more Round-table discussions brought

out even more questions, until one brave shopper asked Grant: "Is this just a public relations exercise to maximise profits? Would you close the St Helens store if it was losing

Grant's response was: "If we don't do this again next year it will have been a failure on our part; it will just have been a PR exercise. If we demonstration that we are shaping the business towards what custom-

During the day customers' responses were noted by an indeident researcher, who reported pendent researcher, who reported back to Safeway. Shoppers were also asked to fill in a questionnaire on their way home on the bus. Grant believes that holding the conference also sends a message to (\$ € € £ € ±

St Helens shoppers decided in favour of children's trollies

the chairman regards the issue of meeting customer needs as vital. He says the group learns a lot from the customer suggestion scheme - he himself answers a few letters from customers each week.

Some things are easy to change - for instance, a suggestion that the rather clinical look of the nappy-changing room could be brightened up by friezes or mobiles.

But Grant is prepared to make bigger changes. He says, for instance, that "we will almost certainly introduce childcare in the St Helens store." This despite the fact that it would require space - one of any retailer's most precious

resources - to be given over to an

area which would generate no But, Grant says, "it is very important to recruit the shopper with

If adding a creche, changing the coffee shop, redesigning the trollies and reorganising the car park brings in a few thousand pounds of extra sales each week, the profit margin on those sales can be much higher, boosting the stores' profit-

Were the shoppers themselves convinced by their day out? One, who was in Grant's discussion group, summed it up. "He seems sincere," she said. "The important thing is he came and listened."

hen Stephen Tate was appointed as Mecca Leisure's first marketing development director for Europe at the beginning of the year even he did not fully realise the enormous potential that the continent holds for UK leisure operators.

It comes as quite a surprise when you begin to look at the numbers and the disposable income of consumers on the continent," he says. "When you also consider that there are very few established leisure operators in continental markets - then the opportunities are quite staggering."

Mecca has emerged as one of

the UK's leading leisure-only operators since it was bought out by its management from the Grand Metropolitan group fully managing its portfolio of

But Mecca is well aware that making money from leisure in the UK can be a fickle business, even if some of its activities - such as discos and hingo - seem to be holding their own during the slowdown in consumer spending.

Hence the decision to target continental Europe. "We've

always had the continent on our minds but now we want to make sure that we expand in a co-ordinated way," says Tate. Mecca is not alone in eyeing the opportunities on the other side of the English Channel. Brent Walker, for example, is developing marinas in France and Spain while European Lei-

sure has acquired several night-clubs on the continent,

night clubs, theme restaurants, holiday camps, and bingo

Europe

David Churchill explores the opportunities available to leisure operators adding to its disco operations in the UK.

Yet British leisure companies have been relatively slow in tapping the continental mar-ket. They have seemed very reluctant to move out of their established domestic markets," points out William Martin, director of Suffolk-based Leisure Consultants. "I'm not sure that many believe that the concept of mass-market leisure can successfully be exported." One reason for this reluc-tance, he believes, has been the experience of British retailers on the continent. Chains such as Marks and Spencer, Habitat, and W H Smith have all found

expanding on the continent

"Retailers undoubtedly found a clash of cultures in simply trying to take a UK operation and setting it down on the continent," believes Michael Ward, chairman of European Leisure. "Our strategy, however, is to buy up suitable properties on the conti-nent and apply the professional financial and management techniques that we have developed in the IIK.

Ward has found that continental disco operators are no different from those in the UK in failing to apply sound management to cash-rich busi-

nesses. "It's simply a matter of keeping on top of the money," he insists. Ward's European expansion plans are being financed by a £22m rights issue, half of which has been expansion for the continent ear-marked for the continent. The continental disco business has particular attractions for UK operators. "The demo-

one vast playground

will be very similar to those in the UK," points out Mecca's Tate. "This means that while there will be fewer young people, they will have more leisure time and disposable income." But what makes this sector even more appealing is the lack of any organised indige-

graphics over the next decade

nous competition. "While the UK market is undoubtedly fragmented – even Mecca only has about a 12 per cent share - there are no native operators on the continent approaching anything like that level of penetration," says Tate. "There aren't any chains at all."

Yet the key question for UK leisure groups is whether the British approach to massmarket leisure operations will translate to the continent. "In principle, I don't see why it shouldn't work in some countries at least," believes Kieron Culligan, a senior leisure anaiyst with the Henley Centre for

In the packaged holiday mar-ket, for example, "there are close similarities between the British and the West German holidaymaker in what they want from a package," he explains. "Yet the French are not interested in taking package deals. What is clear is that British companies will have to pick both the countries and sectors very carefully if they are to succeed. I think they need to adopt a gradualist approach rather than moving

too fast:" Tate, is cautious about whether branded leisure operations will successfully translate across pan-European borders. "I have ultimate confidence in the effectiveness of branding, he says, quoting the example of the McDonald's hamburger chain. "But it is something we will have to con-

sider very, very carefully." Mecca already has one strong brand in its Hard Rock chain of burger restaurants which it acquired with its take-over of Pleasurama in the late 1980s. Although Tate refuses to be drawn on Mecca's plans for Hard Rock, it has already proved successful in Stockholm and Tokyo and most leisure analysts see it as a strong enough brand to be developed across the continent by Mecca.

2.225.5

GUIDE

However, while British leisure operators are eyeing the continent, the traffic has not been all one way. The Dutch holiday camp operation Center Parcs, for example, has successfully been introduced into the UK in Nottinghamshire and Norfolk, Its very success prompted Scottish and Newcas-tle, the UK brewer, to take a controlling stake last year.

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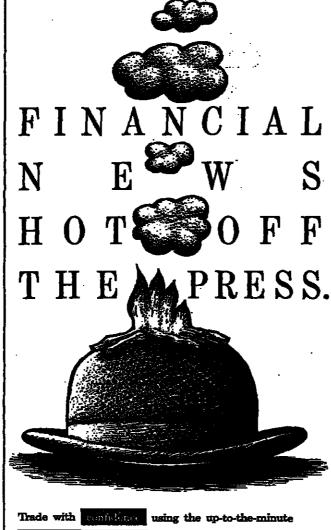
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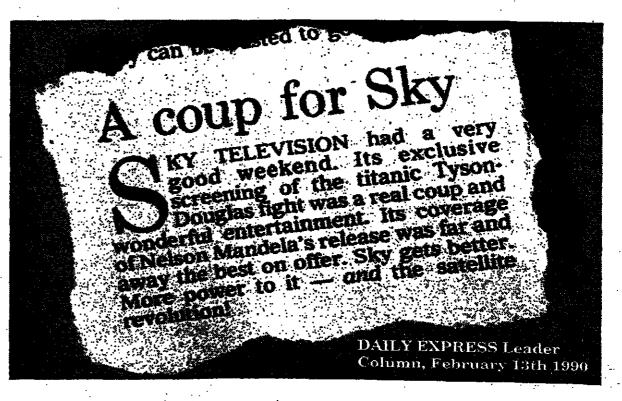
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Growing pains

worrying about grow-ing old, we have to confront simply not being young any more in professions or cultures where con-fidence and achievement come with maturity this may be easier to face, but in the society that reflects a large chunk

of American aspirations — the society of When I Fall in Love - youth and the attainment of youth, appear to be everything. The football star, the beauty queen - what happens to them when the waist thickens even slightly, or the pace slows down? It can happen before they are 30, and it is what haunts Gavin and Babs (Den-nis Quald and Jessica Lange), the central characters whose popularity and ideals of personal excellence are based on their physical perfection.

an's trolles

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The release of this film in England has been delayed for two years; apparently it did not do well in America, possibly, but unfairly, because it coincided with a run of sports movies there. While Gavin's sanse of identity rests on his success as a prote sional footballer, the game itself is peripheral to the much more serious subject of what happens to him when age starts to undermine his perfor-mance. When he flounders into a youthful retirement, no lon-ger a hero and incapable of reinventing himself, his wife Babs has to find the maturity to take control of their lives. Spectacular scenes of the

storybook college sweethearts confidently accepting the adoration of a stadium full of admirers, evolve into their realisation that they cannot live other people's dreams for them, and that their appeal is completely superficial. In a scene in which a friend tries to remind him of an early football triumph Gavin says impa-tiently, "I don't live in the past," but the past is all he

Dennis Quaid is physically right as the active, charismatic jock, but it is his actor's sensitivity to Gavin's haffling combination of integrity and immaturity that make his performance so convincing. And Jessica Lange as the southern belle learning to get tough, makes a virtue of her quieter role when she finds

WHEN I FALL IN LOVE Taylor Hackford

SUMMER VACATION 1999 Shusuke Kaneko

THAT SUMMER OF WHITE ROSES · Rajko Grlie

THE REVOLVING DOORS Francis Mankiewicz

LENINGRAD COWBOYS TO AMERICA Ari Kaurisměki

Babs' superior emotional strength. Director Taylor Hackford (An Officer and a Gentleman) may take too leisurely a pace, but he has made a touching and valid film. Pulling vulnerable truth out of a film posing as a blockbuster cannot be easy. And for the baby boom generation this film is surely simed at, the news that none of us is really grown up much before we reach 40 must be strangely comforting.

The problems of growing up that occur in Summer Vacation 1999 concern a different generation. Set in an imposing boarding school, this subtitled Japanese film deals with the conflict of three early adolescent schoolboys alone in the building during the school holidays. One of their friends has recently committed suicide, and the sudden appearance of a new boy, the double of their dead companion, is deeply disturbing.
Though it has the elements

of a thriller the film treats the story in a surreal way. The boys wander the cavernous school and rustic grounds, obsessed with the mystery of the strange new boy, and the larger mysteries of life. "I wanted to kill it without hurting its beauty," says one boy of a crushed butterfly. Killing your own childhood without destroying it is a challenge too. By casting girls in the boys roles director Shusuke Kaneko has deliberately disposed of the mislaid but just what she

last hint of unwanted earthiness, but the risks he has taken to achieve an alliptical, spiritual film bring him dangerously close to

lifelessness and pretension. Summer is less than idyllic in occupied Yugoslavia too, in 1945. Even the flowers in That Summer of White Roses represent not real romance but the dreaded attentions of the resident German colonel to some unfortunate local girl. The inhabitants of a small lakeside resort base their lives around the water, and put their energies into helping their lifeguard Andrija (Tom Conti) conceal refugee Susan George, Had the film been left to the Yugoslavs this wartime melodrama might have yielded some more interesting scenes: whether each of our lives has a specific purpose, or the possibility of a god who is as elemental and encompassing as water. But this largely gets lost in the incompatibility of the mixed Yugoslav and British cast. The intrusion of English regional accents, Tom Conti's distracting attempts at Eastern European body language – as if he had escaped from a Piat de Beaujolais commercial – and Susan George's country house version of a refusee, "I'm so sorry, we have to leave now," she announces as if she is fleeing a boring dinner party instead of the Nazis, is

atmosphere of enigmatic calm that water can inspire. But those qualities have not rubbed off on the character, who seemed to be waving and drowning at the same time. While White Roses might have done well to compose itself and trust its looks a bit more, The Revolving Doors relies vainly on its pretty period costumes to conceal the fact that it has nothing to say. This subtitled French Canadian saga of a young planist who abandons her baby in search of adventure, then tries to win his sympathy in her old age, is told with as much satisfying detail as a telegram. Switching between

When no one is talking the

film occasionally captures the

disastrous.



Scene from Kaneko's 'Summer Vacation 1999'

achieved that justified leaving

her son remains a mystery.
But brevity can be a virtue,
as Ari Kaurismāki
demonstrates in Leningrad
Couboys Go America. This young Finnish director's first English language film is a whistlestop road movie recording the adventures of a Finnish band that has never heard of rock and roll — a group of improbably quiffed Elvis lookalikes who rapidly adapt to whatever musical style is required. It is obvious that Kaurismäki has seen the Blues Brothers, but he neither parodies the music or satirises America. Instead he takes the country as he finds it as his heroes hurtle from New York to Mexico in a series of beaten up cars, singing in bars, getting arrested, and speeded on by delightfully dry captions: They Beat Him Badly; Alone In The Desert, Why? The economy of the direction is most eloquent in the account of the band's week in jail, a subtly changing single shot that neatly summarises their shifting emotions.

Leningrad Cowboys Go America has a unique, amiable, almost stoic humour, and Kaurismäki's talent will be confirmed next week when his earlier subtitled film Hamlet Goes Business opens at the Everyman, this updated, big business version of Hamlet, though much more structured and plot-laden, is treated with the same economy. Leaving very little out he still manages to romp through the story in an astounding 86 minutes, treating the drama with a mixture of respect and hilarity in which the State of Denmark becomes a shipping company about to be sold off in favour of producing rubber ducks. Shot in black and white with more characteristic captions (Body In Street Leads To Investigation; He Becomes Melancholy) it is another

Apparently Kaurismäki is to make an Ealing-style thriller in London this year.

tacitum joy.

Ann Totterdell

Show Boat

royal shakespeare theatre, stratford-upon-avon with respect to my musical col-

La forza del destino

THEATRE ROYAL GLASGOW There is so much to say about this production it is difficult to

know where to start. La forza

del destino is not one of those pieces by Verdi that plays

itself, but Scottish Opera has

shown here that if a company

is really determined to meet its

challenges, the opera can shake heart and mind to the

The work was originally written for St Petersburg in

1862. At that time it was con-

ceived in a cruder form than

the one we know today, as Verdi later fought shy of the

opera's most violent elements.

But in hindsight it is possible

to see in this raw, unrevised

tale, of aristocrats doomed to

suffer and a populace either

starving or torn apart by war, a tragedy on a truly Russian scale: an Italian Boris Godunov

that merits attention on its

In essence it is that early

Forza del destino, the more grim and hopeless, that Scot-

tish Opera has given us here.

The major scenes that Verdi replaced have all been rein-

stated, though the company has compromised by leaving in

his smaller improvements. To

that extent it could be argued

that they have given us a version that is neither one thing

nor the other, but that will

almost certainly seem aca-demic to an audience faced with a performance that blazes

As if aware that the choice

of version had already imposed

its own slant on the produc-tion, Elijah Moshinsky has wisely allowed the opera to tell

its own story. My notebook

could yield quite a few minor

quibbles; to name one example.

Leonora opens the third act by

rushing straight into Michael

Yeargan's monumental stone

monastery, when the music

and the text, not to mention

the character's specific predica-

ment, make it clear that she

What matters, though, is the grand sweep of the whole dra-

matic panorama. In the central

war tableau, cleverly repre-

sented a a battlefield hospital

in which the wounded are laid

out before us, the massed forces are superbly marshalled,

remains outside.

with theatrical conviction.

innermost depth.

own account.

There is something endearing about "serious" music buffs descending from their ivory tower to the mired marketplace of the commercial, and swooning over sleekly-tailored professionalism and the odd good tune. Last December's reception by a predominantly opera-going press and public of the joint RSC/Opera North coproduction of Jerome Kern's old tear-jerker at Leeds would have seemed effusive applied to Tristan or Figuro. And the General Administrator, no less, of Opera North declares the show "a masterpiece." There are few works in the 400-year history of opera that one would unhesitatingly term a master-piece. Show Boat is not one of

Rather is it a Broadway blockbuster by Edwardian musical comedy out of mitte leuropäisch operetta. In this score at least Kern's peers are Sigmund Romberg and Rudolf Friml. He never looks ahead to Rodgers or Porter; and rarely sideways to Gershwin. There are a few good tunes, arguably a couple of great ones; some dross ("You Are Love" would not have passed muster in The Desert Song); and much padding, repetition and back-ground mood music which,

leagues, makes the piece no more a melodramma or opera monaué than the average film with a background soundtrack. A soap opera before its time, the story - book by Oscar

in Glasgow is remarkably one of her first major engagements. Not only did she sing the role

with a marvellous freedom and

generosity of tone, she also

gave a complete physical per-formance, opening Leonora's inner collapse vividly to view: a portrayal by the end of thrill-

ing intensity.

To have two finds of that

quality on the same evening is a coincidence of which even

the convoluted plot of La forza

del destino would be proud. Yet the Don Carlo of Vladimir Chernov was no les impressive:

a magnetic presence, ven-

geance personified, alway sturdy and vibrant vocally, despite this version taking "Urna Fatale" up a semitone. Even if neither of these singers

goes on to fulfil their enor-

mous promise, I count myself fortunate to have heard them

Admittedly, not all the cast

were so successful. The Don Alvaro, Stefano Algieri, pro-

duces some visceral sound, but

this Incan prince often seems

Hammerstein from Edna Ferber's novel - covers 40 years and manages the not inconsid erable feat of mashing racial bigotry, miscegenation, show biz, failed marriage, poverty, alcoholism (just a smidgin) and final reunion into the blandest of pap.

For a work dominated by Ole

Man River, Russell Craig's claustrophobic set allows us surprisingly little of nature. It is not the work's fault that it reeks of cliché - Mississippi gambler, bright young soubrette couple, starry-eyed ingénue who effortlessly becomes an actress at short notice; it is the fault of Ian Judge's production that no life is breathed into them.

Much of the spoken dialogue is indistinct which hardly speeds up an evening which includes such padding as a before-curtain spot for Trevor Peacock's Cap'n Andy and the later, film-inspired duet "I Still Suits Me." One is all too aware that for all its ostensibly exciting story line, the show is a

Other great moments include "Can't Help Lovin' dat Man," not quite as exhilarating as in the recent recording but a good reminder that it's initially a defiantly up-beat assertion, not a droopy torch-song. Cast changes bring Jose Garcia as a young, personable Joe who as yet lacks the weight of voice and person for the ideal rum-ble of "Ole Man River" (though he manages the last act reprise

Pruned from its announced duration by 20 minutes, the show leaves unanswered the question of why it was thought worth doing by Opera North and the RSC. It may of course please a well-fed and well-heeled audience that demands a token dash of comfortable drama with its humm-

Ondine

Onding is not only an enterprising ranging competence, which may ensemble but a good one, if perhaps a explain the eclectic range of gestures little too even-handed. On Tuesday I and devices in her Aria; but the solo missed some signs of strongly focused strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused devices in her Aria; but the solo missed some signs of strongly focused character, even where the music wanted that; and yet the Ondine playing was devotedly musical, much more than competent. Perhaps the sense of modest reserve was only the result of their choosing an all-American programme: by and large, British cham-ber-playing is not geared to hold, hard-edged effects, and American music that wants them sharply defined is liable to be fobbed off with chiaroscuro.

Not surprisingly, the best Ondine per-formance was of Charles Ives' 1965 plano trio, in which lusty reminiscences of Yale are set against stately neo-Brahmsian constructions and Ives' own. prescient "impressionism." It is a rich and startling piece, and though it would gain from a still higher profile of con-trasts, the Ondine version was decently telling. So too Samuel Barber's wind quintet Summer Music, delivered with an amiable grace that fell just a bit short of the infectious al fresco air

needed to buoy it up.
Granted some pennywhistle forte at the top, Marianne Ehrhardt's solo flute lent much feeling to young Augusta Read Thomas's new Aria. Miss Thomas is a precocious professional of wide-

lyrical impulse is consistent, even when derivative, and the moments of Italianste glory assigned to the accompanying quartet - in line with the title - are beautifully imagined. I had doubts only about her piano-doublings in florid pas-sages, which sounded less like witty pastiche or evocation than mechanical emphasis. Had the other instruments not been tuned slightly sharp of the piano, one might not have noticed.

The special attraction of the programme was the "early" Caremony of Innocence by Michael Torke, who is now going on 29 but composed it when he was 22. In detail it is characteristic as could be, pursuing a variety of bright musical ideas spelt out in as many manmusical local spent out in as many man-ners as their sources: jazz, pop, mini-malism, academic construction, all sub-serving a lively individual personality. Nowadays, however, Torke builds lon-ger and tauter lines than in the short-breathed, cautiously sectional Caremony - and Ondine rendered its saving flashes of colour rather tamely, as if the overall structure were more significant:

David Murray

Alessandra Marc

can of statuesque build and old-fash-ioned prima donna presence; she is also the possessor of a soprano voice of limitless potential - old-fashioned, one might also say, in its amplitude, in its ever-growing richness in rising phrases, in its ability to pour out in an unbroken flow of glowing sound.

A couple of Wexford Festivals ago her

appearance in Giordano's La cena delle beffe caused local outbreaks of ecstasy; in her native land recent débuts (as Aida) at San Francisco and the New York Met have attracted Media Attention. In London the chosen location was a hall a good few sizes too small for Miss Marc's sumptuous tones, and the chosen format a recital of songs by Brahms, Berlioz and Strauss, interspersed with arias by Beethoven and Wagner and operetta numbers by Suppé and Lehár (and eloquently underpinned

by Roger Vignoles as pianist).
It was, by a large, one-and-a-half hours of duliness, interspersed with flashes of utterly glorious vocalism that rendered the rest even more frustrating by contrast, Miss Marc is an infinitely promising artist, by no means a fin-ished one. Her voice is in its element

"Wiegenlied." It does not "speak" quickly or move with agility, and tight corners are apt to be carelessly

On this showing, she is not at all a word-sensitive singer. If the future of Strauss's "Morgen" depended on being taken down in dictation from this singer's lips the text would surely be lost forever, since on Tuesday most of it was pulped into consonant-less mush. It was probably this apparent indifference to verbal accent and shading that cast an air of sameness on so much of the programme. The pulse quickened slightly in the operetta items - and there was certainly no soubrette messing-about in "Meine Lippen, sie küssen so heiss" - but even here there was so much more to be expected from a voice of such quality.

Miss Marc is worth being severe to: she must be allowed to grow and mature, well out of the limelight. The last thing the opera world needs is yet another trumped-up, but incompletely developed, operatic Superstar.

Max Loppert

ARTS GUIDE

EXHIBITIONS

The Royal Academy: Frans Hais the great retrospective, already shown in Washington and due to go on to Haarlem, and the root of the greatest painters of the 17th century butch school, Master of the por-trait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure.
The Royal Academy. Intgo Jones;
Architect — a full study and
exquisite show of the intimuse. drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Jones was architect to James I and Charles I, and Greenwich Hospital, St Pauls' in Covent Garden and the Ban-queting House in Whitehall main to us as his masterpieces Daily until February 25, except

The Louvre. The landscape in Europe from the 18th to the 18th century. The exhibition of some 150 drawings by Rubens, Brueghel, Poussin, Rembrandt and others retraces the develop-ment of two different conceptions of landscape representation with the scientific treatment of per-spective favoured in Italy and the more atmospheric one preva-lent in the northern countries. Pavillon de Flore. Closed Tues, ends April 23 (40205151). Institut du Moude Arabe. Egypt-Egypt. An exhibition of 25 chefd'ocuvres, including the most recent finds, starts with statues and has reliefs dating from the

middle-empire, continues with a golden crown of a high priest of Cairis with some elements of Para of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40518838).

35th Belgian Antiques Fair. Buropean Antiquities. Opens Monday, ends Feb 25. Archives Générale du Roysume, Grand Sablon, commemorates Belgium's short-lived declaration of Independence from the Aus-trian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends

VIIIa Medici and Palezzo Degii Uffici. A homage to Andre Mas-son: over \$50 works by the French surrealist painter spread incorrection of the street inconveniently over two sites, connected by a half-hourly bus. Ends Feb 15. Galleria Nazionale D'arte Modcaneria Rezionate Dave mod-erna. Jean Dubuffet. Immensely enjoyable exhibition which includes drawings, paintings and sculpture from the Twenties and sculpture from the Twenties up to the last works of the early Rightles, with salient and illumi nating quotations from Dubuffet's writings. Ends Feb 25.

Castello Sforzesco. Henry Moore retrospective. 48 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtverd of the 15th century castle, while

the against inchizes, preparatory studies and drawings are shown inside, in the beautifully lit Sala Viscontes. Ends March 25.
Palazzo Reale. Fernand Leger retrospective: includes over 150 works — paintings, watercolours as well as book illustrations. Ends Feb 18.

the smaller bronzes, preparatory

Madrid

Centro de Arte Reina Sofia. Antonio Sauza, 70 works by the Spanish artist painted between 1956 and 1985. The exhibition focuses on four themes: Ladies, Crucificions, Goya's dogs and Multitudes. Ends March 19, Palacio de Velazquez. Art in Latin America, The exhibition analyses the sources and devel-opment of art in Central and South America, from the wars of independence through to the present day. Ends March 4. Fundacion Juan Narch. Inc. Woodner collection of works by Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illus trating the different aspects of the French symbolist painter's work, Ends April 1.

Museo del Prado, Following the
highly successful Velazquez exhibition at the Metropolitan, the
Prado is now host to the largest

show to date of works by the great 17th century artist. Fifty of tile 80 paintings at the exhibi-tion belong to the Prado, the rest have been borrowed from various collections around the world, and in some cases are being shown in Spain for the first time.

Palan de la Virreina. Meret Oppenheim (1923-1983). Retro-

spective exhibition. Some 130 works by the German surrealist artist including paintings, sculp-tures, drawings, objects, collages. Ends March 25.

Schira Kunsthalle, Am Römer-berg 8. The Surrealists Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst, Until

Kunsthelle, am wall 207. Gott-hard Graubner: Painting on paper. 130 watercolours, gouaches and pictures with a mixture of technique by the 59-year-old artist are exhibited until Feb 18.

Hamburg .

Kunsthalle Glockengiesserwall. Ian Hamilton Finlay with works from the Franch Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are on show until Feb 28.

Kestner-Gesellschaft, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 120 works on loan from Spain. Ends

Städtische Gaierie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff

from 70 private and public collec-tions. After the Kirchner and Heckel exhibitions, this is the riscael exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked dur-ing the Nazi years.

The Kunsterlans is host to Mercury and the Muses, a vast collection of artifacts, docume and objects from Leipzig, on dis-play for the first time. The collec-tion, ranging over four millennia, coutains treasures from Ancient Egypt, Greece and Rome. The exhibition also contains European painting from the middle ages to the 19th century, includ-ing works by Caspar David Fried-rich. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and librett. letters and memorabilia, is the centrepiece of this exhibit, the most comprehensive ever mounted on the Vicortian oper-etta masters with more than 400 items on view. Ends Feb 18. New York Public Library. More than 125 documents of the Aboli-tionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 18.

National Gallery. Highlighting

in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collec-tion of Joshua P. Smith, among them works from major contem-porary artists including Jasper Johns, Richard Diebenkorn and

Alex Katz. Ends April 8.

February 9-15

Tokyo

Tobacco and Salt Museum, Shibuya. The Way to Narita. Not Tokyo's international airport, but the nearby Shinsoji Temple a major destination for pilgrims for many centuries. The exhibi-tion features ukiyoe woodblock prints by Hokusai and Hiroshi who date from the period when this pilgrimage was at its height. Closed Mondays. Suntory Museum. Mission to Rome. In the early 17th century a feudal lord from northern Japan despatched a mission to

the Pope asking Christian mis-sionaries to come to Japan. This fascinating exhibition document the failure of the delegation and the subsequent ban on Christian ity that was to last over 200 years. Closed Tuesday. Riccar Museum. Ukiyoe wood-block prints of the Meiji Kra. Representative works from the late 19th century, when the woodblock print achieved its final flowering as western influences finally began to penetrate Japan's two century isolation Japan's two century isolation.
Closed Tuesday.
Japan Folk Crafts Museum.
Woodblock prints by Shiko
Munakata, a pioneer of the arts
and crafts movement in Japan.
The museum, in old farmhouse

buildings, is a treasure-house put its future in jeopardy. of the traditional arts, Closed

Andrea Gruber while individual performances seethe with passion. Moshinto be singing in some ancient Peruvian language. There is a sky has clearly worked at length with his principals, which is a well, since at least two of them are worth every mellow, not very authoritative Padre Guardiano from Alexander Morosov. Among the comic parts Nicholas Folwell, with minute that he could have putty nose and bandy legs, spent with them. When you hear a new voice for the first time in a strange works hard to make a character out of Melitone and Della Jones is a splendidly earthy Preziosilla, who flunks none of her top notes. theatre, the wise move is to be cautious. But caution is the last emotion one feels on encountering the soprano Andrea Gruber, whose Leonora

They must all have benefitted from the considerate hand extended to them from the pit by John Maucerl. His way with the score admits many subtleleged to receive and for that reason it may seem ungenerous to recall the uncomplicated Verdian energy with which other conductors such a Mitropoulos and Muti have driven the opera along. There wa a wildness missing, on which this version in particular should thrive.

At the end we do not get the customary trio. Instead Don Alvaro completes a tripartite scene of blood-letting in committing suicide: by throwing himself from a rock in Verdi's stage directions, by shooting himself in the Moshinsky production. When one sees it on stage, it is clear at last how integral this conclusion is to the unremitting chain of events that have gone before. For the wretched characters of La forza del destino there can be no redemption.

Richard Fairman

disconnected series of numbers, not springing from the plot but dropped in. The classic example is "Bill," an admitted "show" song within the show. Here it would be ungrateful to complain of Kern's insidiously simple melody to P. G. Wodehouse's words put over by Fiona Kimm.

with great authority).

able tunes as much now as it did 1927.

Martin Hoyle

Arts Council to the rescue The Arts Council has dipped

deeply into its contingency fund in order to bale out the English National Ballet and the English National Opera. Both companies faced severe financial problems following the decision of Westminster City Council to cut its grants to them, which had both exceeded £1m, by 90 per cent for 1990-91. The Arts Council will make

good this sum of just over £2m, and add more to cover inflation, at the expense of a huge dent in its emergency fund of 52.6m. It tried hard to persuade Westminster to continue its support but pleading poverty from the changes in the busi-ness rate, and the Poll Tax, the City Council refused. It had increased its aid to make good the funding of the abolished GLC, but has now reduced it to below its traditional level. Its excuse is that the two companies serve a national audience rather than the borough's citi-

Peter Palumbo, chairman of the Arts Council, had to move swiftly because the ENB in particular was under crippling pressure from both sponsors and creditors. In the last few weeks the company has lost the services of both its artistic director. Peter Schaufuss, and its general administrator, Richard Jarman. The withdrawal of most of Westminster's funding

There was more good news for ENB yesterday. The Arts

Council announced that its basic grant to the company for 1990-91 would be raised by an impressive 12 per cent to £1.546m and Ladbroke said that it was putting up over £50,000 to sponsor its 40th anniversary gala which the ENB is holding at the Royal Albert Hall on

March 27. The future of ENO was never in doubt but if Westminster's money had not been made up it would have been forced to cancel many new productions next season. It was always on the cards that the Arts Council would come to the aid of two major companies who faced financial problems quite outside their control: but it does mean that it has limited resources for any more rescue

Another fillip to the London dance scene came yesterday with the news that London Ballet Theatre has taken an option on a site in Westminster Bridge Road. This could form the basis of London's first specialist dance house, to be operated by the management company Hetherington Seelig. Two other organisations are seeking accommodation for dance -Sadler's Wells is eyeing the adjacent site which may come available if Thames Water moves out of its Islington HQ and the Entertainment Corporation, which tried to build on the South Bank, is still looking.

Antony Thorncroft

FINANCIAL TIMES

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Thursday February 15 1990

Arithmetic of German unity

IT IS no longer "if", hardly even "when". Although there is still a month to go before East Germany's first free elections, everyone now takes it for granted that they will produce a government willing to negotiate unification. The internal aspects will be negotiated between the two German states. For the external aspects, including those that affect the security of neigh-bouring states, they will be joined by the Four Powers which defeated and occupied Germany at the end of the Sec-World War, and which remain legally sovereign in Berlin as well as retaining, in the absence of a peace treaty, some residual responsibilities

for Germany as a whole. Mr Genscher, the West German foreign minister, said yes-terday that the results should be ready in time to be ratified by the summit of the Confer-ence on Security and Co-opera-tion in Europe "before the end of this year" (probably in Sep-tember or October). If that timetable is adhered to it seems quite likely that in December East Germans will find themselves voting again, this time in elections for the federal parliament of a united Germany: a prediction which. only four months ago, would have been greeted as the purest fantasy. History has been telescoped, not by a burning desire for unity in either part of Germany, but by the impossibility of keeping the German Democratic Republic in being as a separate economy, once edom of movement between it and the Federal Republic

Public opinion

had been conceded.

German public opinion has been understandably sensitive to any hint that the Four Powers might presume to settle the destiny of Germany among themselves. But West German political leaders have also recognised that German unity does not concern Germans alone"; and have evidently come to the conclusion that the Four Powers constitute a convenient representation of those others whom it does concern, and therefore a suitable negotiating partner once they accept the principle of unity as all four now do.

about this procedure. The Polish prime minister, Mr Mazowiecki, said in London yester-day that Poland wants "to be present wherever the security of Germany's neighbours will be discussed". "Our security matters," he added, "cannot be settled by proxy for us."
Clearly he will not be content
to be one of 35 heads of government to whom the agreement negotiated by the "two plus four" is presented for rubberstamping in the autumn.

Uncertainties His concern is understand-

able, and Poland's special interest should be recognised, given the abiding legal and political uncertainties about the Polish-German frontier although there is no reason to think that this issue will be a sticking-point in negotiations, since both German states accept that the frontier should stay where it is. (Mr Gensche reaffirmed on Tuesday that "unity" concerns only the present territory of the two states

plus Berlin.)
The main international issue that does still have to be resolved is the alignment of the new German state. The Soviet foreign minister, who last week showed interest in the proposal that it could be part of Nato (so long as Nato forces were not deployed in East Germany), seems this week to have reverted to ruling

He is unlikely to insist on neutrality, which is opposed not only by the West, including all the main West German parties, but also by Poland. He may, however, take up Mr Mazowiecki's suggestion that Germany should be "part of a general European system".

Mr Mazowiecki seemed to envisage this system as compatible with the continued existence of the two alliances, since he predicted that both Nato and Warsaw Pact troops will continue to be stationed in different parts of Germany. But the Soviets may be tempted to bid for the support of German public opinion by suggesting that the new sys-tem be formed through the dissolution or merger of the alli-

If so, the "two plus four negotiations" may prove the Only one country is audibly unhappy, or at least uneasy, solidarity has yet been put.

Clean bill for petrol prices

decision to refer the petrol retailing activities of the big oil companies to the Monopolies Commission was more an act of political appeasement than the response to abuse. For historical reasons, petrol

prices have been invested with political significance which would seem extremely odd if applied to other staple commodities, even food. One of the reasons is that more than 60 per cent of the price paid by motorists at the pump is tax; so petrol prices often hit the headlines in the annual budget ritual when excise duties are

The fact that taxes represent around 118p per gallon compared with only 2p to 3p of oil companies' net profit inevitably means that any price reductions by the producers are heavily diluted in percent-age terms by the time they reach the consumer. Partly for this reason, it has sometimes appeared that petrol prices always ratchet upwards and never fall. But this is an illusion of inflationary times. In the last 20 years, pump prices have remained surprisingly stable in real terms. Indeed, after adjusting for inflation, pump prices are now lower than they were before the first oil crisis in the early 1970s. In the past decade, oil companies have been making low profits on their refining and retailing

Tactless behaviour

Yet some of the larger oil companies have behaved tactlessly. When they all raised pump prices together, and maintained them at the same level (to a fraction of a penny) for several months, the industry became tainted with a strong odour of collusion. The Monopolies Commission's third report on the sector in 25 years published yesterday says that public concern on this score was misplaced. With maybe a few local spillages, the indus-try has contained the forces of collusion.

A close alignment of prices may just as likely be evidence of an efficient competitive market as of monopoly abuse. The latest report shows emphatically that this is indeed the

THE Thatcher Government's case. Although three large decision to refer the petrol companies, Shell, Esso and RP retailing activities of the big rol market, more than 70 different wholesalers supply the pumps and motorists still have a wide choice of retailers including cut-price hypermarkets. These facts were broadly known to the Office of Fair Trading and to the Department of Trade and Industry before the Monopolies Commission started its voyage through the industry's dense archipelago of statistics. So was its journey really necessary?

Calming effect

The main purpose now appears to have been to calm down some over-excited presumptions generated in the media and among MPs in 1988 by the Parliamentary Select Committee on Trade and Industry. This body decided to investigate complaints by inde-pendent petrol retailers that the larger oil companies were behaving unfairly to tenants in their branded sites.

None of the parties to that earlier enquiry emerged with great credit. The independent retailers were seen to be grous-ing with rather thin evidence; some oil company representa-tives appeared arrogant and disingenuous. This spurred the MPs on to a chase without thinking carefully about the nature of their quarry. The select committee's report reflected a general presump-

tion of unease, without finding sharp evidence to support it. The Monopolies Committee has now done a good job in presenting the evidence and putting those earlier fears to rest. No harm has been done except the evaporation of a little public money, and perhaps some good: the oil companies, with their long past history of monopolistic behaviour, need to be chastened regularly by the whip-crack of competition policy out for exercise. Perhans the enquiry will encourage them to be more open about their marketing activities, and particularly about the breakdown between marketing and refining profits which remain too obscured. The lesson for the seven sisters (now six) is

that innocence should be

ECONOMIC VIEWPOINT he announcement this Tuesday of a commis-sion to establish details of a monetary

union for the whole of Germany is obviously intended, as the Bundesbank President Karl

Otto Pöhl remarked, "as a pre-

liminary step towards reunifi-cation" and also to provide

encouragement to residents of the so-called German Demo-cratic Republic to remain on their side of the border.

Such gestures could, how-

ever, have taken a variety of forms. That it has taken the

currency form is a triumph for

currency competition in which

Gresham's Law is reversed and

good money drives out bad. The process of good D-Marks driving out bad East German

Marks started long before the breaching of the Berlin Wall.

existed as an unofficial shadow currency in East Germany. A visitor stepping through Checkpoint Charlie to East Berlin found it impossible to

buy a concert ticket or pay a taxi driver in anything other than D-Marks; and it was diffi-

cult to spend even the small

compulsory purchase of East German Marks before recross-

If that was so with the figure

barriers to the movement of

people and money which then existed, what chance of sur-vival did the East German

Mark have when freedom of movement arrived? If the two

governments had not made

their announcement, it could not have been long before East German workers demanded to

be paid in D-Marks.

The replacement of a distrusted currency by a superior

one soon acquires a momen-tum difficult to stop. The Bundesbank might not like the

rushing forward of monetary

union. But at least it is now in charge of the process. For it is accepted that not only will the all-German currency be the D-Mark (and not any kind of merger of the two Marks) but that the Bundesbank will be the supresum German monetary.

the supreme German monetar

authority. If the right condi-

tions are met, even cautious

experts think currency conver-

sion could be almost complete by the end of the year.

view was that a single cur-rency could only come as part

of a phased plan involving eco-

nomic reform in East Germany, including the removal of

myriads of subsidies and spe-cial taxes which distort the

price structure. In fact, the two kinds of reform are inextrica-bly intertwined. For attempts

at structural change in com-

munist countries have been undermined again and again by the role of the state central

bank in providing unlimited finance for the "soft budgets"

of both governments and state

Even more important than

the choice of exchange rate for conversion is the need for the

Bundesbank to obtain control

of the banking process in East Germany so that it is not

called upon to create Marks to finance public and corporate

Mr Pöhl has emphasised the need for key West German banking legislation and institu-tions to apply in East Ger-many. An indication of the

west German officials have not so far been able to work out

even a rough estimate of the

enterprises.

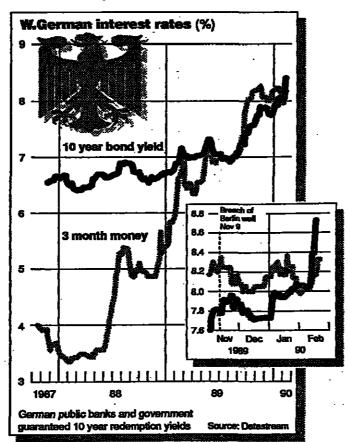
Until recently the orthodox

ing the Wall.

For the D-Mark has

Politics of the Mark

By Samuel Brittan



East German budget deficit. So worried is the Bundesbank by these problems that there may be a transitional phase when controls on credit and capital issues are applied to East German borrowers. Of course, such controls could not be durable.

When it comes to currency conversion itself the key variable is the level of real wages to be paid to East German granted that East German real wages will rise beyond what can be justified by market cri-teria and that West Germany will have to help out by subsidies, which may be tactfully known as credits.

The main relevance of the

exchange rate is that it will set a floor to East German wages. For it is inconceivable that workers will accept less than their present pay rates, con-

The replacement of a distrusted currency by a superior one soon acquires a momentum which is difficult to stop

workers. If they are too high — too near West German levels — they will be priced out of jobs and mass unemployment will ensue. Real wages need to remain lower than in the West if the region is to remain attractive to investors. Even if the conversion ratio is right at the macro level, many East German enterprises will have to close down under competi-tive conditions.

On the other hand if real wages are too low the two German governments will have failed in what is now their prime objective: staunching the migration drain to the West, running at 2,000 per day, equivalent to 4 per cent of the East German population per annum, and a much higher proportion of the active and well-trained. It is taken for

verted into D-Marks. In terms of purchasing power, the East German Mark is worth more than the five-for-one prevailing in the black market. On the other hand it is worth less than the one-for-one official exchange rate. Frankfurt experts would put the purchasing power exchange rate at

about two-for-one. The 2.40 rate just agreed for the latest batch of official credits is as good a guess as one can make of the ultimate conversion ratio. Recause of fears. of the inflationary overhang. East German owners of savings deposits will not obtain so much if they insist on immediate encashment rights. They are likely, however, to be given the option of conversion at the standard rate if they accept for sums above a

minimum size deposits frozen for a period or with some restriction on realisation. Meanwhile the rise in Ger-

man equities and the fall in bond prices is a reasonable, if exaggerated, reaction to improved growth prospects and higher inflation risks resulting from unification prospects. Mr Pohl has remarked that the whole of East Germany has the same economic size as the single West German province of Hessa. But others add that it is as if Hesse had been hit by an earthquake. I have even jokingly been told that Britain had better join the

that Britain had better join the EMS quickly so that sterling could provide an anchor for the system.

Nevertheless the Bundesbank genuinely believes that the present underlying annual inflation rate of 2% per cent need not rise to more than about 3 per cent. Estimates by Mr Gerry Holtham of Shearson Lehman Hutton support the Bundesbank by suggesting that the whole of the East German money supply, including savings deposits, is worth no more than 7% per cent of the West German one if converted at the rate of two for one.

Both growth opportunities and the inflation risks come much more from economic unification than currency union. There will be an increa the German growth rate due to the catch-up factor in the East akin to the post-war catch-up with the US from which the whole of western Europe benefited.

The need to re-equip East Germany will act like any other force boosting investment relative to domestic saving. Part of the strain will be taken by a reduction in the West German current balance of payments surplus (now amounting to DM 135bn or just under £50bn per annum) which will free resources for invest-ment in the East. It will also relieve the auxieties of those who worry about international payments imbalances.

A large burden is, however,

likely to be put on the West German budget. On some esti-mates the West German deficit which could rise from 11/4 to 4 per cent of GNP over the next w years despite arms cuts in both parts of Germany seems a larger problem. But not even the Bundesbank is

urging tax increases.

The scale of both public spending and private investment required to renovate the East German economy is bound to put upward pressure on interest rates – not only in West Germany, but in the European Community and the industrial world as a whole.

erman monetary union is likely to have mixed effects on the wider project for European monetary union. A successful monetary union between two areas as states should remove exaggerated fears about the difficulties of monetary union between countries much closer in their

economic structure. On the other hand the demonstration of the link between monetary and political union will alert anti-federalist politicians. My own guess is that the emphasis at the Community level will shift from the Delors stages to the EC committee of central bankers, chaired by the inevitable Mr Pöhl.

BOOK REVIEW

Facing an identity crisis

here is something surreal about the General Agreement on Tariffs and Trade. After more than 40 years of policing world trade from its sombre grey headquarters overlooking Lake Geneva, it still does not offi-cially exist as an organisation. In contrast to its sister institutions, the International Monetary Fund and the World Bank, Gatt is an orphan. Its supposed parent, the Interna-tional Trade Organisation, died

War because the US Congress refused to ratify its creation.
Gatt was pushed forward to fill the gap, but it is, as its name implies, an agreement and not an institution. It has not appropriate the control of the cont no members, only what are quaintly termed "contracting parties." Worse still, it is an agreement still being applied

soon after the Second World

provisionally.

All this is very irksome to Mr John Jackson, a law professor at the University of Michigan and a noted expert on the Gatt. The central thesis of this short work is that the time has come to give the international trading system a real constitu-tion of its own.

This may sound like legalis-tic quibble. Yet experience shows that the law is impor-tant to international trade relations. World trade, which is approaching \$8,000bn a year, is important to the economy of nearly every country. What lawyers have to say about the Gatt is often as worthy of attention as the pronouncements of those in the field of

There are a number of forces at work, Mr Jackson argues, that could stretch beyond endurance the fragile legal fabric that binds the Gatt together. Among the most obvious is the prospective rush of membership — or more aptly contracting partyship— applications from the nonmarket economies of eastern Europe. There is also the ambitious agenda of the current Uruguay Round of multilateral trade liberalisation talks. Both, in different ways, risk fragmenting the Gatt system. Mr Jackson argues that it

will be impossible to accept non-market economies into the system without introducing special rules that will undermine Gatt's sacred principle of The non-discrimination. essence of non-market economies is that their pricing structure is artificial. That means Gatt rules on dumping and subsidies cannot apply.

So far, only a handful of state trading countries belong to Gatt and this problem has been fudged. With the applica-tion of China, and prospec-tively that of the Soviet Union, however, the balance is changing. Gatt cannot go on fudging without putting its free market purity at risk. It cannot be assumed in either country's case that admission to Gatt would be withheld until a free market is fully in place.

RESTRUCTURING THE GATT SYSTEM By John Jackson Royal Institute of International Affairs | Pinter Publishers, £7.95

The Uruguay Round, meanwhile, is seeking to extend Gatt's authority to trade in services and the protection of intellectual property rights. But here again special rules

will have to apply
To sell its services abroad, a
business must normally establish itself inside its chosen foreign market. There it will be subject to the same local regulations as its indigenous com-petition. Services traded thus cannot be dumped in foreign markets as if they were tomato paste. Yet Gatt is designed pre-cisely to deal with products like tomato paste. It will need a separate body of rules for services and intellectual property. Already, Mr Jackson argue

the codes agreed during the previous Tokyo Round to cover areas such as public procure-ment and trade in civil aircraft have tended to fragment the Gatt. They use different procedures for dispute settlement and are subscribed to by differing countries.

The choice is between a lax but universal Gatt embracing every nation and every form of trade, or more limited membership and stricter rules. With its inadequate legal constitution Gatt is drifting rudderless between these two extremes on a swelling tide of rising memership and expanding duties. Mr Jackson insists that the Gatt system cannot lose sight of its universal objective. The world needs it to provide an interface between different systems, not just between the capitalist West and the non-market economies, but sometimes also between developed countries whose social systems differ, like the US and Japan.

The solution he suggests is the creation of a new umbrella institution with a few basic rules to which all could adhere. These would include obligations to consult, not to harm others and to abide by dispute panel decisions. Under it would come the Gatt and all its related parts whose mem-bership would not necessarily be universal. The new organisation would take central control of some functions such as dispute settlement and trade policy surveillance.

The idea that such an organisation could be created in the Uruguay Round is "improba-ble," Mr Jackson admits. Yet his proposal is still worth considering because of the way in which it teases out the deficiencies of the current haphazard system.

should be studied by all who have the best interests of the multilateral trading system at

Peter Montagnon

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Treasury to the rescue

■ The National Gallery might have lost Van Gogh's Sunflow-ers, but it has kept Cézanne's "Allée à Chantilly". The Chester Beatty family owned both paintings and wanted them to hang permanently in the National Gallery where they were on loan.

Yet with Capital Transfer

and Inheritance taxes to pay, the Chester Beatty executors were seduced by Christies to sell the Sunflowers at auction where it went to a Japanese insurance company in 1987 for £24.3m, a record at the time. The National Gallery tried to arrange a private deal, but the likely price at auction was way beyond its resources and anyway it had another Van Gogh Sunflowers. This time executors and the

Treasury agreed a value on the Cézanne which pays off another £3.4m of the family's tax bill. The painting might have made upwards of £5m at auction, but if it had not, there would have been tax to pay on top. Settling tax bills by selling

works of art is a little publicised option open to rich collectors. The Treasury does not advertise it much because it seeks to confine its tax losses through art to £10m a year. The idea is that the heirs receive a sweetener equalling roughly one quarter of the tax

they owe, and a museum or

art gallery gets a treasure. Other deals struck yesterday include a hoard of Anglo-Saxon coins destined for the FitzWilliam: a Kirkman harpsichord and a Constable sketch as yet unallocated; and a group of 20 modern pictures going to the gallery at Kendal. It is the first time modern art has been used to pay the taxman.

Bild's scoops ■ Bild, the best-selling West German daily which has adopted an increasingly

OBSERVER

mantling of the Berlin Wall, is about to reveal the inside story of the fading Communist

Egon Krenz, East Berlin's state and party chief for a month and a half before he was ousted in December, to write his reminiscences in a dozen instalments over the next couple of weeks.

Krenz, a buoyant 52-year-old with the looks of an overgrown barrow-boy, has been out of a job since being expelled from the East German Communist party by the reformists now in charge. He can probably do with the handsome fees Bild is providing for the partly host-written articles although it is not clear whether payment will be in D-Marks or East German

After sitting in the Polithuro Anter sixting in the Pointon's for six years — where he was latterly responsible for internal security — Krenz can be expected to outline in some detail the lifestyle of Erich Honecker and his followers. He will also have something to say about his role in attempting a palace revolt against Honecker a few years ago. Knowing Bild, it will be colourful and most of it will probably be true. Meanwhile, the paper is hav-ing a go at what it calls Ger-

many's new opponent: Mar-garet Thatcher, no less. It was she who "ordered the City to sell German bonds," according to Bild on Tuesday.

Federation man

John Owens is leaving the CBI to become Director-Gen-eral of the Building Employers Federation. In terms of memreneration. In verms of membership, this is the third big-gest employers federation in Britain. The biggest is the National Farmers Union, and the second biggest the CBL Owens should know. He has



Did you remember to

spent a lot of time working for federations. He was Direc-tor General of the Dairy Trade Federation for six years until 1983 when he moved to the CRI where he became Deputy Director General, The recent work that he

takes most pride in is sponsorship. Owens helped the CBI to rebuild its membership base and replenish its resources after the recession of the early 1980s. He then persuaded the members to put up money for the CBI's own campaigns: nota-bly the 1992 Initiative. The latter is supported by

10 companies who put up £1m between them so that the CBI can provide an effective infor-mation service. A staff of 41 people have so far produced

This is the CBI's Silver Jubi-lee Year. One of Owens's last tasks has been to raise £100,000 to sponsor 10 concerts to be given by the European Com-munity Chamber Orchestra in cathedrals throughout

10 hardback books, and the telephone information service is open daily on 01 836 1992.

Britain in December as a final celebration. Owens is 57, paints and has

had a role in promoting agri-cultural art exhibitions. Now perhaps building and art.

Not wanted ■ William Allen, head of the money markets division at the Bank of England, has just been to Poland to explain how to open a money market. The Poles concluded that they do not want to do it yet, but at least say they now know how.

Parachuting

■ Another parachutist has landed in Brussels amid a burst of sniper fire — from his own countrymen. The man in question is Peter Wilmot, who has been picked out from Customs and Excise in London and dropped by the UK Gov-ernment into the key post of director general (DG) in charge of indirect taxation.

The sniping has come from British Eurocrats, not out of

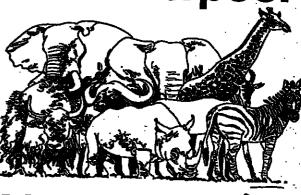
personal objection to Wilmot

(known from an earlier posting to the British delegation in the EC capital), but on the principle that in-house candi-dates should, for career ressons, get first crack at DG jobs, one rung below that of full commissioners. In the shareout by nationality of top jobs earlier this year, a Union Jack had been put on the tax post. The butt of British Eurocrats' criticism is their own government, which is also angling to parachute a Minis-try of Agriculture man into a top EC farm job, and their senior commissioner, Sir Leon Brittan, who pushed his former private secretary at the DTI, John Mogg, for a top industry job. "That's the sort of thing you expect from the Latins, but not from a Brit," said one of the Brits in Brussels.

Mixed up

■ What happened to the dys-lexic agnostic insomniac? He lay awake at night wondering if there was a doz.

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talian capitalism is approaching a crossroads. A series of domes-tic, corporate and political bat-tles threaten to distract large sectors of the economy from the more pressing challenge of designing and implementing Europe-wide strategies for the 1990s.

Competition from non-Italian com-panies will have the greatest impact on the banking, car, electronics and other sectors that have traditionally benefited from direct and indirect subsidies and from trade barriers. What makes this prospect difficult for some Italian industrial leaders to accept is that it will be occurring in a nation that has in recent years taken great pride in the economic successes. which have made it the fifth biggest industrial power. Italy's growth, urbanisation and industrialisation have been squeezed into the past two or three decades. That has left the country with little time to nurture the kind of institutions that in other advanced economies exist to safeguard the consumer, the investor or the fledgling entrepreneur. Italians still prize personal power and contacts rather than the develop-

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Completes.

ment of a meritocracy or a free-mar-ket business culture. Close links between industrialists and politicians benefit big conglomerates by offering tax breaks, access to subsidised credit from state banks and other special-privileges, traditionally doled out by Mediobanca, the powerful Milan mer-chert bank chant bank

Italy is a hard-working and prosperous nation of 57m people with an annual gross domestic product of more than \$750bn. But the economy lacks a solid middle stratum of medi-um-sized industries of the sort known in Germany as the Mittelstand. Instead, enormous trading and mar-keting imbalances are to be found between hundreds of thousands of small family businesses at the bottom and, at the top, four enormous, oligop-olistic conglumerates plus three politically vulnerable state holding con-

The forthcoming unification of Europe's internal market could serve a useful purpose by shaking up some members of the clubbler Italian financial and industrial scene. Unfortu-nately, the tendency of Italy's Big Four industrial-financial conglomerates - the Agnelli, Gardini, De Benedetti and Beriusconi groups - to lose precious time in fighting with one another for territory is increasing rather than diminishing.

For example, the contest between Berlusconi and De Benedetti for control of Mondadori, the large publishing group, is more than just a corporate struggle. It is also an indirect attempt by the old guard of Italian capitalism, backed by a coalition of politicians, including former Socialist Prime Minister Bettino Craxi and Christian Democrat Premier Giulio Andreotti, to defeat Mr De Benedetti. He has proved himself to be too much of an independent entrepreneur, too much of a believer in market democracy, too much of a "usurper" in a culture that is still dominated by a feudal mentality. Mr Beriusconi, a tai-

Leaning away from the new Europe

Alan Friedman, until recently the FT's Milan correspondent, reflects on the past and the promise of Italian industry

ented television mogul, is in this instance a willing collaborator of the

politicians. Another example of the resistance to change in Italian capitalism is the way that Mr Raul Gardini's Ferruzzi foods-to-chemicals group has behaved in recent months.

Three years ago, Mr Gardini appeared to be a harbinger of change. He took control of the Montedison chemicals company and then last year formed Enimont, an important chemicals joint venture with the stateowned ENI group. But Mr Gardini found that in order to stave off debt problems he needed to conform to the problems he beened to conform to the secretive business practices of the establishment. Campaigners for corporate reform in Raly say that this has meant the cause of shareholder democracy has been set back rather than advanced by the Ferruzzi group. Meanwhile, rather than developing into an internationally minded eleminate. into an internationally-minded chemi-cals group. Enimont has become a battleground on which Mr Gardini and the politicians each seek to obtain short-term advantage.

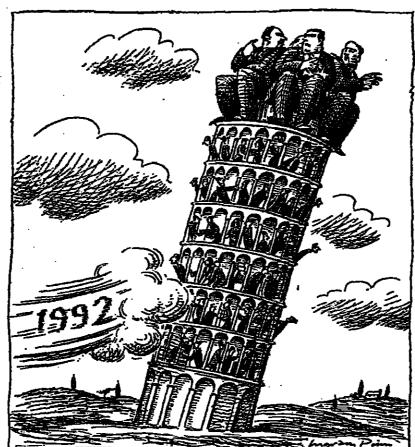
Together with the continuing inability of the Rome government to act on the nation's \$100km-a-year public sector deficit, these events do not bode well for the future. The dyna-misto and flair of Italian entrepremist and thair of tealant entrepre-neurs is a palpable reality, but so is the incestuous and at times aggres-sive manner in which politico-corpo-rate power is protected and enlarged. The Agnelli family's IFI-Flat group, for example, has for most of the cen-tury dominated the Italian economic scene. It is now the single most powerful force in the economy, represent-ing nearly 5 per cent of the nation's annual GDP, a quarter of the capital-isation of the Milan bourse, 60 per cent of the domestic car market, two of the three most important newspa-pers, a workforce of 300,000 and political clout in Rome that would make the most influential Washington lobbyist turn green with envy.

The risk that Italy faces is that its

four giant conglomerates, whose strategies are determined by strong-minded individuals rather than a cadre of professional managers, are so wrapped up in domestic, essentially feudal, contests for power that they may lose sight of industrial and 1992-oriented policies.

On the other side of the economic

chasm lie the hundreds of thousands of small, industrious businesses. These are the precision engineers, tex-tile and shoe makers, electronics



firms, agricultural concerns and other enterprises which truly sustain the economy. The small entrepreneurs do not enjoy the privileges, tax breaks, access to soft loans and export credits or political clout enjoyed by the giant

The third pillar of the Italian economy is represented by IRI, ENI and EFIM, the bastions of state industry in Rome that are all too frequently subject to manipulation, patronage and commission-taking by Italy's voracious political class. Professors Romano Prodi and Franco Reviglio, who served between 1983 and this autumn as chairmen of IRI and ENI, did much to bring these large holding concerns out of loss and to manage them along more private sector lines. With the return to prominence last year of Prime Minister Giulio Andreotti, the willest of all Italian old-style Christian Democrat politicians, it is clear that the hand of politics may again interfere in state industry.

Italy still has no anti-trust legislation, no law against insider trading, no Monopolies Commission or Take-over Panel, and no broadcasting authority. Legislation is slowly moving through parliament in each area, but special interests and their relations with politicians are likely to water down the significance of such

The real stimulus for a more competitive and pluralistic form of Italian capitalism will almost certainly come from abroad. The arrival in Milan of foreign financial institutions such as Warburg, Rothschild, Schroders, Morgan Stanley, Goldman Sachs, Nomura and Daiwa will help some Italian entrepreneurs to escape the bear hug of Mediobanca. The importance of injecting more competition into corpo-

rate finance cannot be overstated. Given the clubby nature of the Milan bourse and Italian high finance there has been a tendency to ride roughshod over the rights of small investors. The fact that one of the first takeover bids which offered minority shareholders the same share price as majority holders (the 1989 bid by Crédit Lyonnals for control of Credito Bergamasco, a private bank) came from a French state-owned institution speaks volumes.

The sectors of the Italian economy most likely to face genuine competi-tion in the 1990s are those that have been most protected in the past. When Japanese competitors eventually penetrate the Italian car market - their current market share in Italy is I per cent against a European average of 11 per cent - analysts say that Flat could stand to lose up to 10 percentage points of its domestic share. The same is true in other consumer product sectors.

The central bank is encouraging foreign institutions to enter the Italian market, to acquire local branch networks in order to stimulate a more competitive market. Although the recent scandal over \$35m of improper Iraqi loans by the Atlanta branch of Banca Nazionale del Lavoro (BNL) is more a political and military matter than a financial one, it highlights the inefficiencies, management gaps and inadequate controls also present in other state-controlled institutions.

hile state banks may be inefficient, attempts to find a solution by privatising some of them is bogged down in a debate over whether the big industrial groups should be allowed to take con-trol of these institutions. Mr Carlo Azeglio Ciampi, the central bank governor, has been attacked by industri-alists when he has pointed out that industrial control of banks might result in a conflict of interest.

The problem is that Italy is not yet a genuine market democracy. The reg-ulatory infrastructure that developed in the Anglo-Saxon world from the 1930s onwards is just being debated in Rome as it approaches the 1990s. This is not to say that the Italian model should be tossed away in favour of a UK or US system. What it does mean is that Italy is likely to lose precious time as it prepares for the post-1992 period, while at the same time undergoing a change in business practices. Change is coming, and it is inevitable. But those who claim that pressure from European Community directives will force rapid change in Italy are probably ignoring Rome's chronic ability to violate directives

The main cause for optimism is the unscientific premise that Italy is capable of quantum change when it is required. Change will come therefore when it becomes clear to the bulk of Italian industry and finance that the development of a fairer financial market is the best way to unlock the nation's entrepreneurial potential. For the time being, though, the old rules and the old games still apply. LOMBARD

Wishful thinking about Japan

By Ian Rodger

AND European manufacturers have been wringing their hands for years over how to keep up with their seemingly indefatigable Japa-nese competitors. Some wags have been suggesting lately that perhaps they have got the wrong idea. It may be that if they are patient enough, the Japanese will become as indolent as they are.

This heretical notion first emerged last summer when it became clear that a growing number of Japanese engineering graduates were taking jobs with banks and securities houses rather than with manu-

facturing industry.

Meanwhile, the new enthusiasm in Tokyo financial circles for merger and acquisition (M&A) activity appears to hold out the prospect that top Japanese industrial executives, like their Western counterparts, will soon find themselves more and more entangled in negotiations over takeover proposals, buy-out schemes and the like, with less and less time actually to run their businesses. Another straw in the wind is

the gradual weakening of ties between Japanese companies and their financial backers. The liberalisation of capital markets is putting the squeeze on banks' profit margins, mak-ing bank directors question the value of their portfolios of low yielding shares of client companies. As for the companies themselves, most are so flush with cash that they no longer need to cultivate friendly bankers - or listen to their advice. According to Professor Michael Jensen of the Harvard Business School, this last trend may be a danger signal that Japanese companies are about to catch the same sort of ill fated acquisition mania that infected US and European companies in the mid 1960s. Prof Jensen makes the observation as a corollary to his main argument in a recent article that leveraged buy-outs are restoring owner and creditor control. over the management of US companies. He claims that wide shareholder ownership of US companies has been destructive to corporate devel-

coment because it cannot force

managers to use a company's

"Ironically," he writes, "even as more US companies come to resemble Japanese companies, Japan's public companies are becoming more like US companies of 15 years ago." Prof Jensen might have added that they are also showing great enthusiasm for diversification. Steel companies have moved into semiconductors, home appliance makers dabble in resort development, and car makers build houses. Will big Japanese industrial companies come to the same sorry fate that befell the famous American conglomerates of the

It is a tantalising thought, but it would be unwise to bank on it. Japanese companies are not perfect, they get into trou-ble from time to time just like their Western counterparts. But recent cases indicate that if the pressure on Japanese companies from banks has eased (shareholders never had much say), other pressures, both social and competitive, remain formidably strong in Japan's business community. Okuma Machinery Works, one of the top machine tool makers, became a bit lazy a couple of years ago and profits sagged. The company's trade union complained loudly about nepotism in the executive suite and, with support from the company's lead bank, it forced the Okuma family to relinquish control. At about the same time, Sumitomo Bank sacked its president in a blaze of publicity when earnings were not up to the group's aggressive standards.

As for diversification, Japanese industrial managers appear to approach it from a althier viewpoint than some Western companies. Far from seeking to expand their own power and perks, they are more interested in preserving the competitiveness of their core businesses. In return for employees' support for ration-alisation and automation plans, managers create new jobs for those displaced, and diversification is a way to go about it. Thus, the commitment to diversification throughout a firm is strong.

Those expecting Japanese companies to become sloppy may have a long wait.

LETTERS

extremely spurious notion of major distraction from the "being accountable to the public through the media," Profes-

European Commission's hostility to advertising

From Ms Angela Mills.
Sir, Lucy Kellaway writes
("Fighting to the last gasp," February 8) that the European Commission is not thirsting to ban advertising wherever it can and that fears on this scene are almost certainly

Advertisers and representa-tives of all media throughout Europe think otherwise. Tobacco advertising may be in the front line today but, if the Commission succeeds in getting one "health protection" measure through under the guise of an "internal market" measure by abusing Article 100A of the Treaty of Rome,

From Mr Tony Young. Sir, In his interview with

Hugo Dixon ("Freeing the phone networks," February 5) Sir Bryan Carsberg says: "The playing field . in telecom-

munications . . . is a multi-di-mensional field that can be

tilted in many different ways".
True, but why persistently tilt it against the key domestic

telecommunications company (British Telecom)? Why con-

time to stack the odds against a British company that is striv-ing to ensure that it is a major

world player in the future, a task in which success can only

be built upon a secure domes-tic network?

Mr Dixon raises doubts about Professor Carsberg's sub-

stantial, but in effect unac-countable, power over a vital sector of the economy — a

point not made often enough.

If Sir Bryan believes that one

visit to a select committee and one incomplete civil law action in nearly six years constitute "very real limits to my power,"

then he inhabits a different

world from the rest of us. Even when bolstered by the

the door will be open for attacks on other product cate.

A proposal already exists to control branded pharmaceutical advertising throughout Europe. There is also a pro-posal which would effectively ban all claims made in food advertisements unless a directive says otherwise. The European Parliament's Environment, Public Health and Consumer Protection Com-

mittee has already voted to go further than the Commission's proposed restrictions and has called for a total ban on tobacco advertising. Such a vote may be seen as an empty

sor Carsberg's case holds little Leaving aside concern sur-

rounding the method of appointing the immensely pow-

erful Director-General, one simple change for the better would be to adopt a more open

system of regulation with information placed more com-

pletely in the public domain.

It is far from clear that the

present arrangement serves us that well. Even Professor Cara-berg admits that Mercury has

failed to make a serious impact in telecommunications provi-

sion. Yet Oftel remains exces-

sively concerned with estab-

lishing new competition (and duplication of resources) in the UK basic telephone network.

Moreover, Professor Cars-

berg seems determined to

swathe new entrants in regula-tory cotton wool, lest they be forced to face up to real compe-

tition. What Oftel seems

unwilling to embrace is that blinkered pursuit of "competi-tion" policy has become a

An opportunity for Sir Bryan Carsberg

political gesture by the mem-ber states but many MEPs believe they have every right to ban advertising. Many have openly admitted that they would like to see severe advertising restrictions or bans on many product categories including alcoholic drinks, pharmaceuticals, financial advertising, toys, cars, food

and so on.

There is little recognition of the positive benefits that advertising has for the economy and for the consumer or of its undoubted contribution to the completion of the internal market. These hostile attitudes to

Nowhere is this better illus-trated than in Ofiel's continu-

ing reluctance to advise the

Government to revoke the so-called asymmetry rule where, unlike Cable TV compa-nies, BT is prevented from pro-

viding television as well as

telecommunications over its network. This restriction

the introduction of a broad-

band fibre optic network, the

information infrastructure essential for the future. In the November review of the duopoly, Professor Cars-

berg and the Government have

an opportunity to gear regula-tory policy in a manner which

allows the UK to assume a position at the forefront of

world telecommunications,

both in domestic provision and

international competition.

Union, Greystoke House, 150 Brunswick Road, W5

Tony Young, General Secretary,

explaining our deep felt fears. The European Parliament may not have legislative power but its influence should not be These attitudes, together with the proposed limits on the freedom of expression in draft

proposals on pharmaceuticals, tobacco and food constitute concrete evidence of new curhe on the freedom of commercial speech. Angela C. Mills,

advertising cannot be ignored and may go some way towards

Director, Special Issues, The Advertising Association, Abford House, 15 Wilton Road, SW1

EC computer copyright rules

From Mr Robert Moreland. Sir, Whatever lobbying is going on in the European Community ("Battle joined on computer copyright," January 24) most member states, knowing that "reverse engineering" is the route to copying, will want the directive on "the legal protection of computer programs" tection of computer programs to forbid "decompiling."

The only real debate is whether or not an exception to this rule for genuine research or interface reasons should be left to the member states' discretion or that a clause similar to the UK "fair dealing" clause and within the scope of the wording of the Berne Conven-tion should be included. The Council of Ministers is under no illusion that its objective will be to block any aspect of reverse engineering that could

lead to copying.

The real danger is that this debate is drawing attention away from other important issues still to be resolved. In particular, as has been pointed out in both the opinion of the EC's Economic and Social Committee (for which I was rapporteur) and in the draft opinion currently before the Legal Affairs Committee of the European Parliament, the European Commission's draft fails to provide a definition of "originality" and proposes a term of protection not consist-

There are also pressures to exclude protection for com-3 The Firs. Heathwille Road,



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Inigo Jones, Architect organised in association with the Royal Institute of British Architects at the Royal Academy of Arts Now extended until 11th March 1990

A health warning for company accounts

From Mr Suraj Paul.
Sir, Lex rightly states ("The narrow mind of the auditor," February 12) that after the Caparo v Touche Ross judgment, a company's report and accounts do not seem to serve

much purpose from the investor's point of view. During the long and expensive period in which Caparo has fought to establish just what duty auditors do owe investors, we have been heart-

SLEY

an outsider might draw about

a company's worth.

Now that the House of Lords
has told users of audited
accounts how little protection they have, we respectfully suggest that the Stock Exchange and the Securities and Investments Board should consider

ened by the number of users of accounts and investment managers who have shared our surprise that auditors are not responsible for any conclusions and accounts. Something like the small print at the foot of a stockhrykar's note should do stockbroker's note should do no hability is accepted whatsoever for any direct or consequential loss arising from the use of this document.' Swraj Paul, Caparo Industries.

Сараго Ноизе,

National Communications ent with the Berne Convention.

puter generated programs. Robert J. Moreland,

FINANCIAL TIMES

Thursday February 15 1990



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Poland seeks security guarantees

By Robert Mauthner, Diplomatic Correspondent, in London

POLAND WANTS to take part in international consultations on German unification to ensure that its borders and security are guaranteed, Mr Tadeusz Mazowiecki, the Pol-ish Prime Minister, said in London yesterday.

Mr Mazowiecki was speaking at a press conference after a three-day visit to London, during which he and Mrs Margaret Thatcher, the British Prime Minister, discussed the problems arising from German uni-

While not rejecting the formula agreed by the two Ger-manys and the four wartime Allied powers in Ottawa on Tuesday for joint consultations on German unification, the Polish Prime Minister made clear that it fell short of meeting Poland's particular con-

corns.

"Obviously we want to be present whenever the security of Germany's neighbours is discussed. Our security cannot be settled by proxy for us," he

There were no indications yesterday that the six members of the German unity consultative group were inclined to include Poland in their formal framework, but British officials indicated that ways would be found of consulting Poland. It was stressed in London

Ottawa at the end of the Nato and Warsaw Pact Foreign Min-Dutch may separate guilder from D-Mark

By Laura Raun in Amsterdam

THE NETHERLANDS is

considering detaching the gull-der from the D-Mark because

of fears that inflation will be fuelled by monetary union between West and East Ger-

The Hague's move is the first public sign of a potential unravelling of the D-Mark bloc in which the guilder, Swiss franc and Austrian schilling closely follow the West Germannian

Mr Wim Kok, the Dutch Finance Minister, plans to make an official statement this

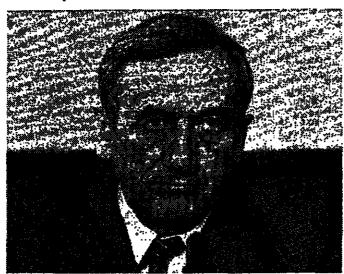
week - perhaps today - after

suggesting on Monday that

severance of the two curren-

man currency.

cies was possible.



Polish Prime Minister Mazowiecki: security fears

isters' conference specified that the group of six would discuss the external aspects of German unity "including the issue of the security of neighbouring

Mr Hans-Dietrich Genscher, the West German Foreign Min-ister, suggested after talks with Mrs Thatcher and Mr Douglas Hurd, the British Foreign Secretary, in London yesterday that the structure for a united Germany could be in place by the end of this year. Talks between West and East Germany, which would

Some Dutch fear that infla-

tion may be imported from Germany if its interest rates

rise to underpin a D-Mark pres-

sured by rapid monetary expansion, sparked by mone-

Dutch MPs plan to debate

the issue as soon as they receive a letter from Mr Kok

stating his position on the

monetary, financial and eco-nomic implications of the Ger-

The Netherlands boasts one of the world's lowest inflation rates expected to be about 1.5

per cent this year. Guilder strength and climbing West

German interest rates had narrowed the premium in Dutch

nan moves.

take place shortly, would be followed by a meeting of the four wartime allies – the US, the Soviet Union, Britain and France - to consider the out-come of the intra-German discussions. It would be desirable for the results of these meet-ings to be presented to the 35-nation Conference on Security and Co-operation in Europe at the end of this year, Mr Genscher said.

tions that West Germany was irritated by reports of Mrs Thatcher's allegedly luke-

rates over German ones to

about 35 basis points by yester-

that rising rates would hinder Dutch efforts to shrink the huge government budget defi-cit. But he also admitted that

the Dutch economy stood to enjoy a windfall boost from fas-

ter economic growth in a

united Germany. Last month Mr Wim Duisen-

berg, the Dutch central bank president, acknowledged that Dutch interest rates might be cut independently of German ones but cautioned against

early divorce between the guil-

der and D-Mark.
"Whoever wishes to reap the

On Monday Mr Kok noted

warm, even hostile approach to German unity. "The Prime Minister has expressed support for German unity. It is an enor-mous encouragement not only for the government of the Federal Republic, but for Germans in East and West," he said. It ment" for the Bonn Govern-ment and for Germans in east

Mr Hurd said that probably the single most important problem that needed to be set-tled by the group of six set up in Ottawa was a unified Ger-many's relationship with Nato and the Warsaw Pact. It was very important that Germany should remain a full member of Nato once it was united, he said in a radio interview. But it was "perfectly possible to grasp" that a unified Germany could remain in Nato, but have Soviet troops stationed on what was formerly East Ger-

This was not so very different from the solution envis-aged by Mr Mazowiecki, who said that he did not favour a neutral unified Germany. Instead, he anticipated that Nato troops would continue to be stationed in the country's western region, while some Warsaw Pact forces would probably remain in the eastern

Euro-MPs back unification. Page 2; Editorial comment, Page 14

longer-term fruits of a sound

policy will have to be prepared

to take the bitter with the sweet in the short term, as

swhodied at present in the pur-suit of a tighter German mone-tary policy," he said.

Mr Han de Jong, head of for-

eign economic research at Amsterdam-Rotterdam Bank,

aid yesterday that the guilder

D-Mark link should remain

because higher German infla-tion would be no worse than that of some other European

inflation would be imported

Community countries. If Dutch interest rates lagged behind German ones, then

anyway, he argued. Currencies, Page 36

Commission opposes Air France takeover of UTA

By Lucy Kellaway in Brussels

THE European Commission has decided to open formal proceedings against Air France over its takeover last month of UTA, which it believes to have clear anti-competitive implications.

Sir Leon Brittan, EC Competition Commissioner, had argued strongly that the deal

Sir Leon said yesterday that the merger of the two French air companies "created a-group which on the face of it would appear to be in breach of Article 86 of the Treaty of Rome." This article allows the Commission to intervene when a monopoly position is being

to French companies.
This compares with Lufthansa's 80 per cent control of the German market and British Airways' 68 per cent of the UK market.

The statement, which spells out the Commission's view of the worst competitive damage the merger could do, demands a response from Air France. However, it leaves open the outcome of the discussion. In theory, the Commission has power to order an unscrambling of the merger; alternatively it could suggest a deal along the lines of that agreed

shed some of its routes. • Paul Abrahams adds from London: Sources at Air France said last night that the com-pany had been surprised by the speed of the Commission's decision. They suggested that it was abnormal that Brussels should take only a month to decide to investigate the deal, when it had taken eight to

Nevertheless the sources chairman of Air France, is

should not be waved through, and yesterday persuaded his Commission colleges to send a formal statement of objection

The takeover, which gives Air France ownership of UTA and control of Air Inter, the French domestic airline, means that the combined group controls all but 3 per cent of the market designated

with British Airways and British Caledonian, which would require the merged group to

decide to examine British Airway's purchase of British Caledonian.

said the company remained confident of its judicial posi-tion. Mr Bernard Attali, the expected to meet Sir Leon on February 19 to discuss the

Japan hit sions dramatically affect the working of the legislature and they all relate to points which Peking has introduced.

By lan Rodger in Tokyo

JAPAN'S merchandise trade surplus was almost wiped out in January because of a customary seasonal slump in exports and a big rise in the cost of oil imports. -

The surplus on a customs cleared basis before seasonal adjustment was only \$342m, adjustment was unity \$3.25bn surplus in January, 1989.

However, after seasonal adjustments, the surplus stood at \$3.98bn, up from a revised \$3.7bn in December, according to the Ministry of Property.

to the Ministry of Finance.
Exports were down 3.8 per cent year on the year to \$18.6bn while imports rose 13.4 per cent to \$18.3 m. The trade surplus with the US narrowed slightly to \$2.19 m from \$2.97bn in January, 1989. The surplus with the EC tumbled 45.A per cent to \$887.1m.

Exports to the EC countries rose 2.8 per cent to \$3.77bn, but imports jumped 41.2 per cent to \$2.9bn.

year earlier. Import value was computed on an average Y144.36, down from Y125.64 in January, 1989.

A major upset from Abbey

about how well the year has started. Even before the pur-chase of ARC as part of Cons-

Gold, about 18 per cent of Han-

son's pre-tax profits were dependent on the currently

weak UK and US building mar-kets. London Brick's problems

have been evident for some-

time, but English China Clays'

profits warning on Tuesday may have implications too for

Hanson's UK aggregates side. It is hard to believe that Han-

son has magical powers in this area, especially since it says it

is still two or three months

away from finishing its reorganisation of ARC.

those with whom County itself placed shares. In total, the pla-

cing involved four times as

many shares as those bought in the market; and P&D, as

broker to the issue, did three

quarters of the placing. On a

nanimous gesture would land. P&D with a bill for £45m.

As the DTI report makes quite clear, P&D was inti-mately involved with the

whole deal from the outset.

But it would seem odd if it should end up with more than half the cost. It placed more

shares than County because

that was its speciality, not

because it was more culpable.

County NatWest

ground at all.

Abbey National's mortgage rate rise is bad news for the Government as much as it is for mortgage payers. The near 1 point rise, which is likely to be followed by most building societies, will do little for Mr Major's battle to bring down Major's battle to bring down inflation. The annual rate will probably push above 8 per cent in the second quarter and the Chancellor's fourth quarter target of 5.75 per cent already looks likely to be missed. That in turn will restrict Mr Major's options, not only in this year's Budget but in pext year's pre-Budget but in next year's preelection run up. Nor will the increase do any

thing for the Government's standing in the polls. Abbey's action could have put paid to action could have put pain to the few flickering signs of recovery in the housing mar-ket. A growing number of vot-ers cannot meet their pay-ments or move when they would like. And the prospect for a retail recovery will be put back a few months although back a few months, although the effect will be muted because of the annual rate setting cycle. Halifax, the UK's biggest lender, has already informed borrowers of its rates

for the current year.

The fact that Abbey opted for the bad publicity, and for an increase greater than the 0.5 per cent which had been expected, indicates the extent of the competition in the expense market. It also shows savings market. It also shows that mortgage rates cannot be expected to stay below base rates for long periods at a stretch. This does prove that base rates are still a reason-ably efficient mechanism for setting rates throughout the economy, but that for the moment will be small comfort to the Chancellor.

Hanson

If it were true that all the really important information about Hanson's 1990 operating results was contained in January's forecast of a 22 per cent dividend increase, it would make sense for the stock market not to bother too much with its first quarter earnings figures. All the more so given Hanson's well-known relucdetails, and investors' preoccu-pation with finding out about Hanson's plans for its 49 per cent stake of Newmont Mining, or for its next big deal. Hanson's share price should do

So it is understandable that nothing yesterday, on news of earnings per share up 11 per cent. But it may be complacent for the market to accept at face value Hanson's assurances

On the other hand, County is doing its best to placate the institutions on which its liveli-British Airways Share price relative to the hood depends. By its apparent obduracy, P&D cannot be help-FT-A All-Share index ing its own position in the mar-

County's initiative is also a welcome bypassing of the law's delays in favour of natural justice. At a time when City scandals are back in the news with the Guinness trial, County cando itself no harm by following the example of Mr Gerald Ronson who met his hand in his son, who put his hand in his pocket without being asked.

Perrier

The Perrier affair is turning out to be a marketing night-mare. It is a highly priced product whose success has been built on the fact that it tastes better than an alternative which costs nothing. So it is hard to measure the impact on one of the world's best known consumer brand names of the decision to withdraw all its worldwide stock. Yesterday's 4 per cent drop in the Perrier share price came before the news broke. However, there is far more to the company than fizzy water and Perrier's own shares may be suf-fering unduly from the company's own secretiveness.

British Airways

Three years after privatisa-tion and the view from the BA flight deck is still looking pretty good. Or is it? A 20 per County's offer of 230m compensation to Blue Arrow share-holders is a striking gesture from a company under threat of trial for fraud. But it should cent rise in third quarter earnings looks impressive along-side the recent performance of competitors like KLM. Howalso be seen in the context of a row between the institutions and UBS Phillips & Drew, which in true Swiss fashion shows no signs of giving ever, strip out the benefit of aircraft sales and lower pen-sion fund contributions and profits are down. No doubt BA The offer of up to 30p per share, plus interest, falls into two parts: to everyone who bought in the market at the will continue to benefit from these erratic items in future, but they are best ignored in judging how well BA's core business is doing. time of the rights issue: and to

Traffic continues to grow surprisingly strongly despite a marked slowdown in its two biggest markets; and the near 8 per cent rise in passenger vields in the first nine months is remarkable when compared between 1985 and 1989. So far these favourable developments have more than offset the substantial rise in fuel and staff costs. But it only needs a slight hiccup in traffic growth, or increased price pressure from competitors desperate to fill their new capacity, and talk of a repeat of this year's pre-tax profits of £300m plus could

UK makes concessions over Hong Kong

By John Elliott in Pekina

BRITAIN yesterday backed down in the face of intense diplomatic pressure from China and agreed to a pace of democratic development in Hong Kong far slower than demands made by a wide body of opinion in the British colony. The agreement will enable drafting of the Basic Law, which will form Hong Kong's mini-constitution after it returns to Chinese sovereignty in 1997, to be completed this

week in Peking.
It will also allow for continuity - or "convergence," as it is officially called - of the col-ony's legislature through 1997, which should help bolster Hong Kong's fragile confi-

However, the deal will be attacked by liberal campaigners in Hong Kong and others who will argue that the UK has not been prepared to stand up to Peking's hardline leadership in the wake of last summer's Tiananmen Square crisis. Britain will also probably be criticised for not being skilful enough in negotiations to win significant concessions from

Peking has removed from the law any reference to full universal franchise in the future and has only agreed that a third of the legislature should be directly elected in 1995 under British rule. That third will "converge"

through 1997 until the next elections in 1999 when the fig-ure will go up to 40 per cent, followed by 50 per cent in 2003. This arrangement will enable the UK to introduce only 18 directly elected seats - 30 per cent of a total of 60 - next year when the colony will experi-ence its first direct elections.

News of the deal came yes-terday morning when Mr Li Hou, secretary general of the Peking-dominated Basic Law Drafting Committee, said: "Obstacles on the question of convergence have been basi-cally eliminated."

The figures have been agreed in lengthy negotiations in Peking between Sir Alan Don-ald, the British ambassador, and the Foreign Ministry. The post-1997 arrangements are expected to emerge today and tomorrow at the final sessions of the drafting committee. The 1991 and 1995 plans will proba-bly be announced later in Lon-

Peking will claim that it has introduced significant concessions because it has agreed that an electoral college needed for partial indirect elections in the 1995-99 period can be set up under British rule and continue through the 1997 changeover. It is also watering down plans for two-tier voting which reduces directly elected members' power. Now, two-tier voting is expected to apply only to private members' bills.

rier to check its water in the US - which accounts for

roughly 15 per cent of sales -

on February 2, but it was not until last weekend that the

group received the full results, showing benzene of between 12.3 and 12.9 parts per billion, as against the FDA's allowable limit of 5 parts per billion.

Subsequent tests found traces of benzene in some of

traces of benzene in some of the French bottling lines and

deliveries in Japan and

There is also expected to be an increase from 15 per cent to 20 or 25 per cent in the number of legislative members allowed to hold foreign passports. This limit was introduced last month by Peking as a protest against Britain's plan to give passports to up to 225,000 Hong Kong people.
But none of these concesdramatically affect the

they all relate to points which Peking has introduced as antidemocracy bargaining ploys late in the drafting process. The UK, on the other hand, has backed down from support it gave after last June's events for 40 per cent (25 seats) of the legislature to be directly elected in 1995 and 50 per cent in 1999. It will argue that it has done this because support in Hong Kong for rapid political developments has dwindled. Democracy squeezed out in debate, Page 4

said even stocks being

scrapped posed no real danger. Small amounts of carcinogenic substances could in any case

be found in all kinds of food and drink, said one. In a sign that auxiety is pres-

Perrier to withdraw and destroy world stocks

"A human error has been committed. It has been localised. It has been corrected," Mr Leven said. He stressed repeatedly that the Perrier spring itself was as pure as ever.

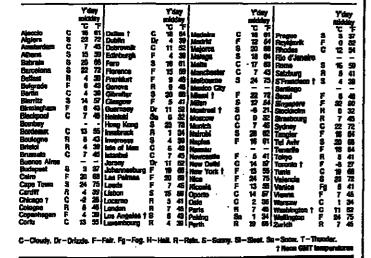
Continued from Page 1

was as pure as ever.

The full direct cost of the crisis would be taken against the 1989 accounts, which had been expected to show profits up some 30 per cent on the previous year's Ffr1bn after tax figure. Turnover in 1988 was Fir15bn, of which 54 per cent came from sales of mineral

Perrier would be able to cover the cost of the recall from profits from purely financial operations, Mr Jacques Vincent, vice-president, said. Perrier's directors argued that their decisive action would if their decisive action would, if anything, improve the product's quality image, though analysts argue that equally this presents a good opportu-nity for competitors, like BSN, which controls the big selling The US Food and Drug Administration first asked Per-

WORLDWIDE WEATHER



ties, all sold in France, had been tainted by a coal filter, but tests showed no danger Europe. Independent medical experts called in by Perrier Early EMU talks likely Continued from Page 1

German process on the European Monetary System.

An early start to the EMU attend to present its alternative plan for a system of "comnegotiations would also re-open abruptly the awkward peting currencies in the Compolitical decision as to when Britain should meet its commitment to take sterling into the European Monetary System's exchange rate mecha-

There is little confidence in Whitehall, however, that the Government could block the Franço-Italian initiative if it was backed by a majority of EC states. At last December's Strasbourg Summit, Mrs Margaret Thatcher, who strongly opposes proposals for a single European currency and central bank, voted against the con-vening of the conference.

She was forced to concede however, that Britain would munity. The call for a special EC

summit after the East German elections on March 18 which was launched on Tuesday by Mr Jacques Delors, the Com-mission President, has caused some irritation in Paris David Buchan in Strasbourg writes; Mrs Maire Geoglegan-Quino, Irish minister for European affairs, said it was the Irish presidency's prerogative to call a special EC summit on Germany, not that of Mr Delors but indicated Dublin

agreed with the likely need for

such a meeting.

ent elsewhere in the French mineral water industry, Vittel, announced that it had recalled 500,000 bottles of Hepar mineral water since mid-January.
A sample of 2,000 to 3,000 bot-The slower export growth was mainly because of sluggish vehicle exports, which alld 4.3 per cent, while imports of cars from the EC were 2.5 times higher than in January, 1999 The other main factor in the decline of the surplus was the rise in crude oil prices. These crude prices averaged \$18.50 per barrel in January, up 39.3 per cent from an average \$13.28 a year earlier. The result was that even though the volume of oil imports was virtually unchanged from the level in January a year ago, the value jumped 40.7 per cent to \$2.25bn.

The decline in the value of the yen also contributed to the weakening surplus. The ministry used an average exchange rate of Y144.57 to the dollar in calculating exports, down from an average Y125.88 a



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Look out Tokyo, here we come!

When Mr Allen Wheat, chairman of Bankers Trust international in London, cleared his deak last Friday, he hinted to colleagues that he might take this week off to go skiing. On Mon-day he telephoned the chairman of Bankers Trust in New York, Mr Charles Sanford, and quit. The press releases announcing that he was joining CS First Boston to run its Pacific subsidiary based in Tokyo were sent out two hours later... with the news that he was tak-ing a dozen Bankers Trust colleagues with

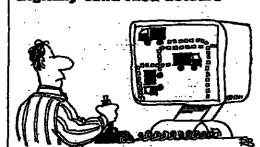
Out of the labyrinth



London's labyrinthine tax and requistory atructures are about to unravel. The Department of Trade and Industry is shortly expected to make an announcement that will give unit trusts in the UK much more leeway over how they use the allow futures and ontions funds to

become established in Britain. Mr Michael Jenkins, left, chief executive at the London International Financial Futures Exchange, believes the effect will be a wave of new business into some contracts. Page 22

Digitally-controlled detours



"I need a truck load of what vou've got and I need it yesterday." It's a familiar cry throughout industry. It is also something of a headache for the manager who has to work out which delivery vehicle is nearest to the customer and how to get in touch with the driver so he will make an unscheduled stop. Computer-controlled digital signalling and satellite transmissions are just two of the technologies that may help. Page 26

Planting the seeds of discontent



Malaysia's plantation hing cards in their hands when 60,000 of month, seeking a guar-

anteed monthly wage. Not only was the Government mindful of the approaching general election, but it needed to slow the drift of iabour away from the estates, running at 4,000 workers a year. However, the commercial agri-culture sector still faces severe problems, reports Lim Siong Hoon. Page 27

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County NatWest in Blue Arrow payout

P FINANCIAL TIMES 1990

COUNTY NATWEST yesterday said it would pay £30m (\$51m) to some of the Blue Arrow shareholders who suffered losses in the wake of the company's rights issue in September 1987. The decision follows unprecedented concerted pressure from institutional investors.

Attempts to persuade UBS Phillips & Drew (P&D), which along with County was an adviser to the £837m rights issue, to follow suit have foundered, raising the spectre of a bitter legal battle between P&D and some of its leading clients over the affair.

A plan for County and P&D to offer a joint compensation deal is understood to have foundered after the two sides failed to agree on how to share the cost. Only 38 per cent of the shares in the rights issue were taken up. The two banks, with 10 of their current and former executives and a legal adviser, face criminal charges over the affair. County and P&D are alleged to have mis-led the market when placing a further 36 per cent of the issue

with institutional investors. In addition, a remaining rump of shares split between County and P&D was not disclosed, leading to further allegations of market manipulation. The County announcement fol-

lows pressure over several months from the Institutional Shareholders Committee, an industry-wide body of institu-tional investors. Similar pressure on P&D has failed to yield results and discussions between the two sides have been broken off. An ISC summit meeting on Blue Arrow earlier this week at London's Barbican theatre, attended by more than 100 fund managers who had taken shares

in the Blue Arrow placing, was told of County's decision, as well as of P&D's refusal to consider sation ahead of the criminal trial. The group has now set up a co-ordinating committee to consider P&D's refusal and to take legal advice on possible claims

against the bank.

The County payment, coming a day after the bank said it was

selling its own near-10 per cent stake in Blue Arrow at a £53.3m loss, is likely to take the total cost of the Blue Arrow affair for County to more than £110m.

It has already set up provisions of £64m in the past two years to cover potential losses. On top of the £30m compensation announced yesterday, it also faces a further loss from the fall in value of its Blue Arrow shares and the costs of paying the legal

and the costs of paying the legal fees of its former executives in the criminal trial.

Mr Howard Macdonald, County chairman, said the compensation was being paid for commercial reasons and did not amount to an admission of liability by the bank. "We just want to put the whole chapter behind us."

County is offering to compensate anyone who bought Blue

sate anyone who bought Blue Arrow shares between September 29 (the date of the rights issue) and October 26, 1987. Between 2,000 and 5,000 investors, who bought 40m to 50m shares, are thought to be involved.

County is also discussing pri-

vately compensation with a

group of institutions that bought 44m shares from it during the placing. Five of these, including MIM Britannia, took 80 per cent of the shares.

It is offering investors about 30p a share, with a further 10p interest, and has set up a £30m provision in its accounts to the end of 1989 to cover the cost.

County's offer pushes P&D firmly into the limelight. The latter handled three-quarters of the Blue Arrow placing and, taking County's offer as a guide, this would cost it £45m in compensa-

P&D is thought to have argued that County, as sponsor to the issue, should bear the lion's share of the costs, while County is thought to have offered to pay half. Failure to reach agreement has now led to County's unilateral decision to pay compensa-tion in respect of about 40 per cent of the shares.
P&D refused to comment yes

terday, saying the County offer had taken it by surprise and it needed to consider its response.



National Westminster Bank: County's compensation is being

Drexel shareholders react fast with write-offs

By Janet Bush in New York

COMPANIES with shareholdings in Drexel Burnham Lambert, which late on Tuesday filed for protection for its parent company under Chapter 11 of US bank-ruptcy law, yesterday reacted swiftly to this week's events.

Groupe Bruxelles Lambert, with a direct voting shareholding of 35.9 per cent and a fully diluted stake of 25.9 per cent, said that it was proposing a total write-off. In Geneva, Pargesa Holding, a Swiss investment com-pany, said that it also proposed a write-off of its 13 per cent indirect stake in Drexel.

Meanwhile, Drexel continued to dismantle its business in what appeared to be a smooth operation. A White House spokesman said that officials continued to monitor developments but that the Drexel situation "appeared to be stable at the moment."

A Chapter 11 bankruptcy filing

gives a company protection from its creditors and, in most cases, a chance to try to reorganise its business. However, it is barely conceivable that a securities house could emerge from Chapter 11 solvent because of the loss of confidence among investors and had more than \$3bn in liabilities customers.

Drexel announced on Tuesday

that its parent company was filing under Chapter 11 but that the broker-dealer subsidiary, the operating arm of the company which conducts its brokerage business, was not. It is believed that the bulk of its 5,300 workforce will be laid off

In its filing, Drexel said that it



and more than \$3.6bn in assets. It also provided a list of creditors. The filing listed Taiyo Mutual Life as its largest creditor, saying that Drexel's parent company owes Taiyo, Japan's sixth-largest mutual insurer, \$69.7m from a

private placement. The third largest on the list is Banque Indosuez Paris to whom Drexel said it owed \$30.5m in Eurocommercial

Banque Indosuez Paris promptly denied that it was a creditor, saying that it had only acted as a broker in this transaction and was "in no way the final holder of this commercial paper."

Mr Michael Milken, former head of junk bonds at Drexel, is not listed as a creditor. He was ordered to sell back his stake in Drexel as part of the company's settlement with the Securities and Exchange Commission. In its

indictment of Mr Milken last year, the US attorney's office in Manhattan valued that stake at more than \$100m.

Among other top creditors named in the filing were Home Capital Services, Sumitomo Life Insurance, State of California Public Employees Retirement System - one of the largest US public pension funds - Bank of Ireland and Bank of China. The filing said that the total number

of creditors would be more than

Individual department heads at Drexel have been given permis-sion to market their businesses to potential buyers.

All employee accounts have been transferred to one of its competitors, Smith Barney Harris Upham, a brokerage subsid-iary of Primerica, a financial ser-vices conglomerate.

The accounts and positions of commodity futures customers have been transferred to other clearing members on the New York Mercantile Exchange.

On Tuesday, Drexel suspended equity trading and started selling its portfolio of corporate bonds from investment grade to high yield – and also started liquidatng a substantial position in US sury bonds.

US financial markets have taken the Drexel bankruptcy calmly, a reflection of the fact that Drexel had already become a relatively minor force.

The Treasury market rose strongly on Tuesday, partly on a flight to quality because of the uncertainties surrounding Drexel, and fell back only mod-

estly yesterday.

After falling sharply on Monday as Drexel's troubles started emerge, the stock market stabilised on Tuesday and was quoted with a marginal gain yesterday. The junk bond market continued to rebound. The market appears to have finally found a price bottom. Yesterday's developments. Page 19

jump 39% to £71m in third quarter By Paul Abrahams in London

BRITISH AIRWAYS yesterday announced third-quarter profits of 271m (\$121m), an increase of 39.2 per cent on the same period

of the previous year. The result to December 31 was broadly in line with analysts' forecasts. The figures included excep-tional sales of a Boeing 747-200 aircraft and a BAC111, valued together at about £17m. They also took account of a period of non-payment of corporate contri-butions to the company pension scheme. This resulted in a gain of £14m; on the minus side there were £10m of costs associated with the rights issue for the proposed purchase of United Airlines of the US. The deal subse-

quently fell through.

The group's turnover for the first nine months of the year rose from £3.2bn to £3.7bn, an increase of 13.9 per cent.

Earnings per share for the period climbed from 24.6p to 29.7p. On a fully diluted basis, taking account of the conversion rights for the convertible capital bonds issued in October 1989 for the unsuccessful United Airlines

deal, earnings per share were 27.4p. BÅ chairman Lord King said this was a good performance, reflecting buoyant traffic demand in the company's core business, with increased revenue yields. He said the company was increasing its capacity this summer and did not expect its load factors - the proportion of seats available filled - to de-

He added that as far abo the company could predict about 90 days - there had been no downturn in demand in the UK. The chairman admitted that costs were rising, though he stressed they were not out of control

The airline's operating costs in the third quarter increased by 13.2 per cent to £1.08bn, with the company's fuel hill increasing by 47.5 per cent. Analysis said the increases in

the price of fuel had knocked as much as £20m off profits in the third quarter. Lord King said there were

company's control. These included landing fees at air-ports owned by BAA, which would increase by about 11 per cent this year, and air traf-fic control charges, which were likely to grow by some 40 per cent over the next 12

The company's shares closed down 2p at 196p. Lex, Page 16

Troops prepare for the retreat

"We're all packing up our boxes and sending out our resumes," said a Drexel Burnham Lambert employee, one of the desperate thousands at Drexel's 20storey headquarters on 60 Broad Street, just a stone's throw from the New York Stock Exchange, writes Alan Friedman in New

After the initial shock on Tuesday, when Mr Fred Joseph, Drexel's chief executive, got on the internal public address systam (the "boot and holler line to insiders) to announce the firm's impending benkruptcy fil-ing, yesterday was a day of immediate career planning for

better-than-average

pects of finding a new job.

The lava was indeed flowing yesterday, with many Federal regulators and competitor firms on Wall Street sitting back with a kind of astonished delight at

another blow to the already depressed real-estate market

was "betrayal." Disgruntled employees began lobbing verbal salvoes at Mr Joseph and the Drexel management, not least because only last Wednesday all was well and the banks were behind Drexel. However, many inside the firm thought the game was up by this Monday, when employees were told that the firm was not going to be able to roll over its commercial paper on

cial paper then you're out of business," said one Drexel employee. None the less, the sting of Drexel's bankruptcy filing on Tuesday was sharp, partly because of a last-minute bunker optimism that swept the firm.
"This whole business is based on optimism, on the theory that the market will always go up," moaned an insider at Drexel

"It's not quite so much that the bullets are flying over our heads, it's more that the lava is flowing down from the volcano and we are all scurrying to get out of its path," quipped John Keefe, a Drexel analyst with

the collapse of the much despised Drexel, king of the junks and symbol of the wildest excesses of the 1980s. Wags in New York were immediately predicting that the fall-out from the Drexel disaster - unemployment for 5,000 and yet

was only the latest sign that Yuppiedom was on the way out. In a week that saw Yuppie hero Donald Trump ensconced in a messy marital morass, glamorous boxer Mike Tyson KO'd in Tokyo and Perrier being pulled off the shelves because of benzene contamination, an entire class of Americans was left in At Drexel the word of the day

"If you can't roll over commer-

BHP to buy Hanson iron stake

By Bruce Jacques in Sydney and Kenneth Gooding in London

BHP. Australia's biggest company, is to increase its domination of the country's iron ore industry by agreeing to buy the 70 per cent of Mount Goldsworthy Mining Associates it does not already own.

The stake was acquired last August by the UK trading conglomerate, Hanson, when it took over Consolidated Gold Fields for £3.3bn (\$5.5m).

No details were given yester-day but analysts suggested that Mount Goldsworthy was worth about 235m. Mr Michael Coulson, analyst with Kitcat & Aitken, said that the operation had made losses in recent years and was at best marginally profitable.

Hanson's takeover of Gold Fields triggered a pre-emptive right over the Mount Goldsworthy stake by BHP, which is believed to have matched a bid from another leading Australian mining group.

Finalisation of the purchase would see the Australian iron ore industry – among the nation's top export earners - emerge as one of the few local resource industries substantially owned by Australian-based companies.

The "big four" iron ore compa-nies, operating from vast mines in Western Australia's Pilbara region, have just won a 16 per cent price rise from Japanese steel mills and are looking to a near-record earnings year. BHP also controls the Mount Newman iron ore operation through BHP-Utah Minerals

International, while CRA con-trols Hamersley. North Broken Hill is the leading shareholder at The managing director of BHP-Utah Iron Ore, Mr Gavin McDonald, said completion of the deal was expected in March. The purchase contrasts with BHP's

earlier decision to sell the bulk of

its interest in the North West Shelf gas project, off the Western Australian coast.

"BHP has a high level of confidence in the long-term outlook

that didn't work out."

for the iron ore export industry," Mr McDonald said. "The acquisition of Goldsworthy will comple ment its existing iron ore operations and will broaden its ability to benefit from the opportunities in this important mar-

Analysts said Mount Goldsworthy had a relatively short life with only 20m tonnes of ore in its reserves which were being mined at the rate of about 6.5m tonnes a year. However, the company has a new deposit known as Area C with 2.5bn tonnes of ore which could be mined using most of the existing infrastructure. Mr McDonald stopped short yesterday of any commitment to develop Area C.

The unrepeatable 2% launch discount period for Morgan Grenfell's Asian Trader Trust ends on Friday 16th February at 8.00pm. Contact your financial adviser now or callfree 0800 282465.

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INTERNATIONAL COMPANIES AND FINANCE

surpass predicted earnings

Germany's largest industrial concern, will report higher-than-expected group profits this year following a switch in accounting practice.

While operating profits at Daimler are expected to be lit-tle changed on 1969, a move to bring the company's accounting practices more in line with Anglo-American convention will lead to less conservative provisioning for pension con-tributions, the company said. Group turnover for last year increased by 4.2 per cent to DM76.57bn (\$45.66bn), Daimler said in a letter to shareholders.

couple of months. The group had forecast net profits substantially unchanged from 1988's DM1.7bn. But analysts yesterday were quick to point out that the changed account-ing policies regarding pension liabilities could mean a one-off addition of possibly DM500m to the 1989 net profit.

Daimler is actively seeking a more international shareholder profile - with a planned listing in London and then in Tokyo this year - and the current ultra-conservative valuations have depressed equity

Messerschmitt-Roelkow-Blohm, the aerospace company Daim-

ler acquired last year and which will be consolidated in the 1990 results, the Deutsche Aerospace division increase turnover by 7 per cent to DM 7.775bn. Turnover at AEG, meanwhile, rose to DM

It is from cars and trucks that some 75 per cent of Datmler's turnover — and more of its profits — emanate. Here, passenger car production fell to 542,000, from 560,000 units,

during the year.

The highly competitive domestic market saw lower sales, while the US also again proved hard-going. Truck production advanced slightly to

By George Graham in Paris

The company sold 35m bottles of cognac last year, 9 per cent more than in 1988, confounding its own expectations

Sales grew even faster in the older and more expensive qual-ities of cognac, which for the first time accounted for more than half of Hennessy's sales.

Together with Hine, another smaller cognac house owned by the group, LVMH has a world market share of 28.5 per

Mr Gilles Hennessy, a member of the company's management board, said that 1990 would be for Hennessy what 1989 should have been: a pause, with sales remaining stable. It would continue to buy new barrels at a rate of 13,000 a

He said the company needed to control its rate of growth in order to allow it to build its stocks of matured spirits, which grew last year by FFr400m and are currently valIt might, however, prove dif-ficult to restrict sales, since demand in the Far East, the major market for cognac, continued to grow strongly.

The whole of the Cognac region shipped a record 157m bottles last year, 8 per cent more than in 1988. Over the last ten years sales

of cognac to Europe have declined by 18 per cent to 55m bottles a year, but in the Far East they have doubled to 42.8m bottles and in the Americas risen by 34 per cent to 33.1m bottles.

Sales in the US, however, are now stabilising in the face of declining consumption of

Telefonica advances 11%

for Whiripool's Kentucky manufacturing facility, which is to be included in the disposal. This view is shared by Electro-

differ on Whirlpool

By Clay Harris in Cologne

MAYTAG and Electrolux, owners of the two largest vacuum cleaner manufacturers in the US, yesterday took opposite views on the rival floor care business put up for sale last week by Whirlpool.

Maying indicated that its Hoover subsidiary did not intend to bid for the Whiripool Mr Anders Scharp, president and chief executive officer of

Electrolux, said yesterday in Cologne: "It is of interest to us to see if we can buy it." Whiripool's sales of vacuum cleaners through Sears Roeback account for 10 per cent of the total US market. The company does not give any sales or profit figures for the vac-num cleaner business, which ranks third behind Hoover and Eureka, Electrolux's brand. Competitors estimate it has annual turnover of \$100mm to

Together, Hoover and Eureka have just over 50 per cent of the US market. Electrolux has not owned its own name in the US for many years, although the brand is used on domestic appliances, including vacuum cleaners.

The figure has fallen recently, however, because of Sears' introduction of a brand central trading format which resulted in Kenmore, the Whirpool-made store brand, losing sales to other manufacturers' vacuum cleaners.

This is one reason Maytag is likely to count itself out of the race for Whirlpool's vacuum cleaner operation, according to Mr Frank Vaughn, Hoover's president and an executive vice president of the parent

Mr Vaughn, who was also in Cologne for the Domotechnica domestic appliances trade show, said the Whirlpool busi-ness would not bring its buyer a marketable brand name. Its sales through Sears were likely to decline and were low margin business in any case, he added. He said Hoover had no use

pany's sweeping rationalisation plans.
Ireland's Industrial Development Authority said: "There is no doubt that Nixdorf wishes to disengage from Ireland

Daimler-Benz expected to Maytag and Continuity with a difference for Iri

promised a period of "continuity" during his presidency of Italy's pre-eminent state holding company, Iri, and then proceeded to reveal some significant points of departure from the policies pursued during the reign of Mr Romano Prodi, his

At his first press conference since he walked into Iri's Via Veneto headquarters in December, the 64-year-old manager. who has spent virtually all his previous career in the private sector, displayed a predictably different style from the fasttalking, wise-cracking Mr Prodi.

He addressed his mixed audience of journalists and top

MR FRANCO Nobili yesterday management of Iri-controlled companies for an hour before

taking questions.
Though Mr Nobili, like Mr Prodi, regards his main priority as the need to equip Iri with the international strength to face the new challenges in Europe - which now includes eastern markets, as he made clear yesterday in requesting political risk credits insurance from the Treasury – his agenda and the underlying political tone were rather dif-

Above all, this close friend of prime minister Mr Giulio Andreotti, was not even obliquely rude to the politicians, nor threatening to run against the political grain on

Hoechst lifts Schwarzkopf stake

such issues as privatisation. On the latter point, he indicated that he was not prepared to go beyond joint ventures with the private sector, in which Iri would maintain the majority position. At the same time, he wanted to add as many iri companies as possible to the 27 already listed on the Milan stock exchange and fore-saw listings for some on for-

eign exchanges. More generally, Mr Nobili seemed to regret there were industrial overlaps between Iri and the other two state holding companies, Eni and Efim, but he put the first responsibility for sorting this out on the managers of the three holdings, as though expecting the politi-

cians to stand idly by. He appeared very concerned about the proliferation of companies with closely related activities in Iri, and promised a rationalisation according to the philosophy "we must unite to be Modit!

down

Given Mr Nobili's background, it is no coincidence that his first priority in this field is to rationalise the 150 companies in the Italstat construction empire headed by the politically influential Mr Etiore Bernabel, against whom Mr Prodi made little progress. Mr Nobili's closest brush with the body politic was a well-argued complaint about the lack of generosity in government policies on tariffs.

AGF agrees on

Hennessy rises 45% to FFr5bn

HENNESSY, the cognac division of the LVMH drinks and luxury goods group, increased net profits by more than 45 per cent last year, as sales rose 24 per cent to FFr5.07bn (\$889.5m).

Hennessy remains the market leader with a 26 per cent share of total sales of bottled

Kymmene fails

to meet targets

EARNINGS of Kymmene, the

leading Finnish forest products group, did not meet their tar-

get in 1989, the group said yes-

terday, writes Maggie Urry.
The group's sales rose by
nearly 10 per cent to FM11.4bn

(\$2.9bn) from FM10.4bn, but

fell from 22 per cent to 19 per

market meant that use of capacity fell.

Oversupply in the paper

By Tom Burns in Madrid

TELEFONICA, the Spanish telecommunications monopoly, which is 82 per cent state-owned and listed in New York and London, pushed net 1989 profit up by 11.2 per cent to Pta68.46bn (\$631.5m). It expects gross profits were slightly down from FM2.3bn to FM2.2bn and the profit margin to repeat last year's Pta55 divi-

Earnings per share rose from Pta69 in 1988 to Pta74 and pretax profits from Pta85.21bn to Pta92.25bn.

Mr Candido Velazquez, Tele-fonica's chairman, said the

1989 net profit represented "only 5.2 per cent" of the com-

pany's equity, adding that in this respect he was not satisfied with the results. "I want to improve the profitability," he said. Turnover was up by 16 per cent to Pta708.6bn in spite of a tariff increase last year of just 3.38 per cent, which was less than half the inter-annual inflation rate. The growth was

due to a 5.6 per cent increase

been keen for some time to increase the shareholdemployees, has a particular

By Katharine Campbell

HOECHST, the West German chemicals concern, has acquired a 28 per cent holding in Schwarzkopf, which speci-alises in hair and other body care products, bringing its share of the company to 74.85

per cent. Purchasing the shares, for an undisclosed sum, from other Schwarzkopf family members, a Hoechst official said the company was in dis-cussions with Mr Hans Schwarzkopf, who owns the remaining 25.15 per cent, about acquiring a portion of his holding too.

Group turnover in Schwarzkopf this year will amount to about DML3bn (\$775.2m). The company, which has 4,200

Nixdorf to sell

NIXDORF Computer, the loss-making West German com-

puter group which was taken

over this year by compatitot Siemens, is negotiating the sale of its Irish factory, which

employs around 400 people,

The plant, in Bray, is to start laying off one in four workers

under the German parent com-

Irish factory

strength in supplies to the hairdressing trade, which Hoechst says it wishes to expand in European. At the moment Schwarzkopf's business is evenly split

of Europe. Hoechst says the company's product grouping complements its own cosmetic activities, which include Jade, a Frank-

tween Germany and the rest

furt-based company, and Mar-bert, Düsseldorf. With Schwarzkopf, the chemicals concern will have cosmetic sales valued at about

DM1.5bb. Hoechst's initial 48.85 per cent stake in Schwarzkopf extends back 20 years. It has

ADIA, the big Swiss

employment agency group

which merged last year with Inspectorate International, said

its combined net profit for 1989

will be less than the SFr240m to SFr255m (\$41.5m) forecast,

"Operating profits in the ser-

vices sectors were in line with expectations," said Adia. "But

the increase in interest rates,

the drop in the value of the

pound and the dollar and the

general business slowdown in the UK and the north-east of

Reuter reports.

I£107m for Irish insurance group By Kleran Cooke in Dublin

• The domestic non-life group of Allianz Holding said net profit rose to DM325m in 1989 from DM319m in 1988. The pre-ASSURANCES Generales de France, the French insurance group, is to pay 12107m (\$67.8m) for the Insurance Corporation of Ireland, the fourth tax profit of the group, the biglargest non-life insurance comgest non-life insurer in West pany in Ireland. Germany, was about DM750m in 1989. The company gave no Insurance of Ireland was owned by Allied Irish Banks

comparison. Allianz said insurance profits last year were little changed while the non-insurer business contributed more to

pre-tax profits.

Premium income, which rose to DM9.9bn from DM9.5bn, was expected to rise to about DM10.4bn in 1990, the company

the US will result in a pro

forms combined net profit somewhat below the forecast

Adia said pro forma com-

bined revenue rose to SFr6.09bn from SFr4.99bn in

1988. Revenue growth was especially strong in personnel

and security services, it said. Computer leasing business

was good in the US, but profits

were not satisfactory in Europe. Adia said it expected

sharply higher profitability in

issued last September."

mainly on activities in the London reinsurance market. The state appointed an administrator for Insurance of Ireland, who disposed of various non-core and foreign-based parts of the group. The Irish group reported an operating profit of E12.4m in 1988, but the accumulated deficit stood

but collapsed in 1985 with an accumulated deficit of 19226m.

The collapse of was blamed

at IE136m. AGF, which is 75 per cent owned by the French Govern-ment, already has a 27.4 per cent shareholding in Church and General Insurance, another Irish insurance group. Irish Life, the state-owned group which is Ireland's larg-est insurance company, is the majority shareholder in Church and General.

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There are indications that AGF and Irish Life will now seek to merge Insurance of Ireland and Church and General. There are reports that the Government intends to announce privatisation plans for Irish Life within the next



CITICORP

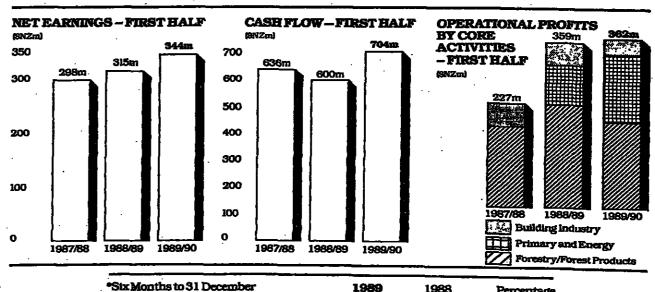


FLETCHER CHALLENGE LIMITED

Record Half-Year Earnings

Swiss employment agency

fails to match forecast



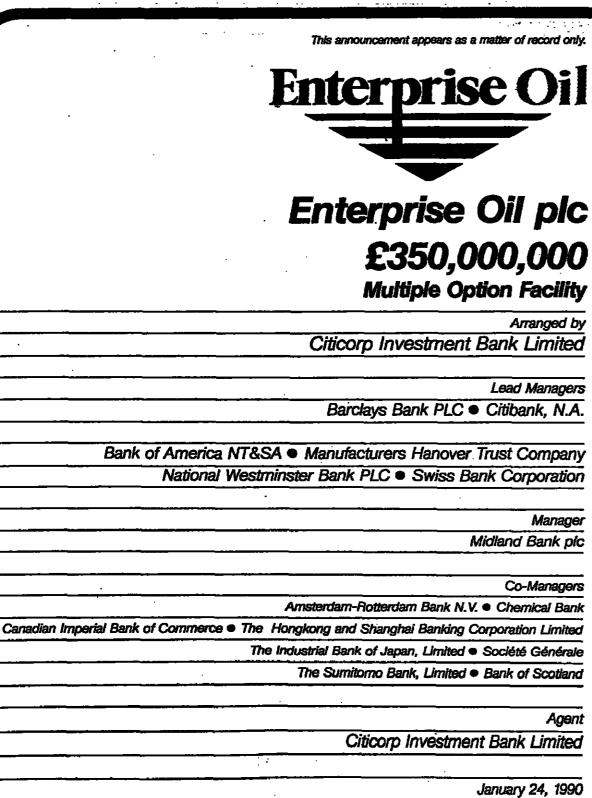
*Six Months to 31 December	1989	1988	Percentage
			Change
Net Earnings After Tax (\$NZm)	\$344.1m	8315.5m	+9.1%
†Earnings Per Share (adjusted)	29.7 cents	29.6 cents .	+0.3%
†Dividend Per Share (adjusted)	11.5 cents	10.8 cents	+6.5%
Net Asset Backing Per Share	\$3.48	\$3.20	+8.8%
Debt: Equity Ratio	55:45	58:42	
*Interim figures unsudited *Adjusted for ri	ghts issue		

Highlights of the Half-Year

- Acquisition of U.K. Paper Pic.
- First tranche of 1989 cash issue raises NZ\$343 million.
- Record earnings by Primary and Energy group.
- Continued divestment of non-core activities realises NZ\$200 million.

Fletcher Challenge Limited ordinary shares are listed on exchanges in New Zealand. Australia, Canada, The United Kingdom, and West Germany, with a sponsored ADR lodged with Citibank N.A. in New York.

To order a copy of the half yearly report or for further information contact Geoff Whitcher, Equity Management Director, Fletcher Challenge Limited, Private Beg. Anckland, New Zealand, Telephone 64(09) 590-000, Facsimile 64 (09) 525 2652.



INTERNATIONAL COMPANIES AND FINANCE

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Company i

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By Deborah Hargreaves

DREXEL Burnham Lambert was yesterday winding down its substantial commodities operations in London as regulators stepped in to ensure the company does not take out new positions.
Drexel's presence was miss-

ing from trading pits across London's markets and although some Drexel traders continued to show up in New York and Chicago they found few parties to their trades. Most markets in the US and London were only accepting liquidation orders from Drex-

el's traders.

Drexel is an important player in the New York oil market and one of seven market leaders at the London Metal Exchange. The firm was transferring its client business to other trading houses yester-day and said it would not take up its ring-dealing seat -

equivalent to a market-making position — on the LME.

It is the clearing houses in the US and the UK that carry the exposure for Drexel's trades as they stand as a guarantee between trading partners in the futures and commodity

The International Commodities Clearing House in London said it was helping Drexel to manage its positions, which is seen by most market players as a euphemism for liquidating them. The London futures regulator is known to have a monitoring team at the firm to ensure it does not engage in

new business. The problems at Drexel are unlikely to affect private cli-ents as the firm's client base is largely institutional.

Drexel is understood to have undertaken a fairly specialist business at the LME, where it transacted trades for the popular futures funds in the US. Drexel is also pulling out of London's other commodity markets, including the Futures and Options exchange's automated white sugar market. where it was a key player among only 10 screen traders.

Commodity US regulators content to contain Drexel fall-out

By Janet Bush in New York

US REGULATORS decided to allow Drexel Burnham Lambert to fail, concerning them-selves only with containing any potential ripple effect on the soundness on the financial

Officials from the US Federal Reserve and the Securities and Exchange Commission were alerted to Drexel's liquidity problems late last week when they discovered that excess capital was being moved into the parent company from its broker-dealer subsidiary. At a meeting last Friday,

which brought in representa-tives from the New York Stock

Exchange, regulators ordered a halt to this transfer of capital. The SEC, which is believed to have repeatedly asked Drexel to mark down the value of its junk bond portfolio and therefore played a part in pre-cipitating the cash crisis, gave Drexel special permission on Monday to pay off \$30m of commercial paper by syphon-ing off cash from the broker-

But on Tuesday it refused

Reports suggest that regulators did not try to arm-twist Drexel's commercial banks into putting up emergency

business.

funds to keep the company in

The relative equanimity with which regulators allowed Drexel to fail has prompted dif-fering opinions. Some economists, such as Mr Bluford Putnam, of Kleinwort Benson Securities, believe the Washington regulatory establishment, long concerned about the economic consequences of the use of junk bonds and intensely critical of Drexel's methods in expanding the mar-ket, look on the failure, if not

with spite, then with an ele-ment of glee. Others believe that regulators had no obligation to save Drexel but only to control potential damage to the sys-

emergency talks over \$1.5bn debt permission when about \$150m in obligations came due. tion to collapse casts doubt on a long-held belief that "some By Alan Friedman firms are too big to fail."

Mr Rob Johnson, former

chief economist for the Senate

Banking Committee, said there was a "moral hazard risk"

among regulators that, if they

were seen to be prepared to save every firm in trouble, companies would behave in a riskier way.

Allowing Drexel to fail set a

certain tone which would

The second point to emerge this week relates to the fact

that parent or holding compa-

nies of securities companies

are not regulated, although they could have an enormous potential impact on the finan-

cial system if distressed. The fact that Drexel's troubles

resided in the holding com-

pany will revive debate about this regulation loophole.

A third aspect is the fact that, since the 1987 stock mar-

encourage prudence.

in New York

DREXEL Burnham Lambert's 12 leading US and Japanese commercial bank creditors, which are owed around \$1.5bn in loan repayments, were engaged yesterday in what one senior New York banker termed "a 24-hour-a-day fire

The banks pulled the plug late on Monday evening during a meeting with Mr Fred Joseph, Drexel's chief executive, when it became clear that the securities firm did not have the collateral to justify an emergency new loan of more than \$400m.

On Tuesday morning, several hours before Drexel filed for bankruptcy, the firm said it had defaulted on \$100m worth of loans. But, according to bankers involved in the Drexel affair, the actual obli-gations that came due on Tues-

This includes 290m worth of commodity-related funds, needed because Drexel custom-ers asked for their collateral back, some \$30m of commercial paper that needed to be rolled over and a further \$30m in other short-term obliga-

Drexel's actual bank debt amounts to around \$200m to \$300m at the level of the holding company, and a further \$1.25bn to \$1.5bn at the firm's broker-dealer subsidiary, which has not filed for bankruptcy. Among the bank creditors are Citicorp, Chemical Bank, J.P. Morgan and several

apanese institutions. One senior banker involved in the emergency action "fire drill" claimed that the bank loans were sufficiently backed by collateral in the form of securities, including Drexel's estimated \$1.3bn of junk

What these bonds are worth is an open question, but the banker stressed that "none of us were lending to Drexel at face value anyway, so the col-lateral should be proportionate to the debt."

A number of interesting ket crash, regulators have clearly put in place procedures for swift and close co-operation points arise from the Drexel case. First, the decision to allow a hig financial institu-

GBL to write off 45% stake

GROUPE Bruxelles Lambert, Belgium's second biggest hold-ing company and the biggest shareholder in Drezel Burnham Lambert, is to write off the entire value of its 45 per cent stake in the troubled Wall Street firm, taking a loss of

BF73.2bn (\$91m). The decision follows Drexel's announcement that it is filing for bankruptcy protection, and will leave GBL with no expo-

sure to the company. It will no longer have to con-solidate future losses and will have no further obligations. This came as a consolation to the market yesterday, which had feared that GBL might be forced to pay its share of Drexel's financial and legal dif-

The decision brings to an unhappy end an investment that accounted for nearly 50 BFr4.1bn.

per cent of GBL's profits in Drexel's hey-day in the mid-1980s. It was one of the best decisions made by Baron Leon Lambert, GBL's late founder, when he invested \$40m in William D Witter, which became part of Drexel in the mid-1970s.

the shares fell by BFr130 to BFr3940, having fallen nearly 7 per cent on Tuesday. However, analysts reckoned the reaction would have been much larger if it had not been for steady stake-building in the company by Belcofi, a Flemish investment company involved in 1988 in the battle for Société Génér-

As a result of the write-off the consolidated profit of the company for 1989 will be cut almost in half from BF17.5bn to

In a clear bid to persuade its shareholders that business remains sound and growth prospects bright, the company yesterday announced a gener-ous increase in the dividend to BFr182 a share, from BFr173.3 in 1988. Analysts said the actual

On the Belgian stock market reduction in the company's asset value was about twice as large as the write-down to book value, as Drexel had accounted for about 7 per cent of the company's total portfo-The Drexel affair has cast a

long shadow over the entire Belgian stock market for the past two days. On average prices have fallen by 3 per cent, and the shares in which GBL has a heavy presence, such as Petrofina, the Belgian oil company, have been hit par-ticularly hard.

By Karen Zagor

insurance company, yesterday reported a 27 per cent drop in fourth-quarter net earn

Revenues grew 20 per cent to \$5.21bn from \$4.35bn.
In 1989 as a whole, Aetna's net profits slipped 5 per cent to \$676.4m or \$6.02 from \$713.3m or \$6.25. Revenues grew to \$19.67bn from \$17.82bn

The latest year's net included \$109m or 97 cents a share of realised capital gains and extraordinary tax benefits of \$37m or 33 cents from operating loss carryforwards.

Because it contains accurate data, updated every two weeks, on 13,000 bond and other issues, including coupons, currencies, codes,

call data, managers, conversions and a wealth of other information. No wonder it's so heavy. The bond market's bible.

It's not exactly the lightest reading since the

But for bond dealers, salesmen, analysts

and investment managers it's a considerably

Dead Sea Scrolls

Please send me further details of the Internation Nome. Margaret Wilkinson,
AIBO (Systems and Information) Ltd.
Seven Limehorbour, London E14 9N.Q.
Telephone: 01-538 5656 Fax: 01-538 4902.
FT 15/2/90

International

Bond

Manual

Standard Bank predicts growth

By Jim Jones in Johannesburg

STANDARD BANK, one of South Africa's two largest banking groups, lifted assets and profits in 1989 despite the intensifying squeeze which has

boosted interest rates and led to increased bad debts. The group's total advances increased to R29.7bn (\$11.64bn) at the end of 1989 from R28.5bn a year earlier, total assets were R37.3bn against R29.7bn and the year's operating profit before tax rose to R530m from R406m. Dr Conrad Strauss. managing director, expects forther real growth this year.

Advertising revenue lifts CBS

FEBRUARY 1990

IBJ International Limited

Mitsui Trust International Limited

By Karen Zagor in New York

48 per cent to \$59.5m or \$2.31 a share, from \$40.1m or \$1.56 in the same period a year earlier. Net sales in the three months improved 12 per cent to \$855.8m from \$772.3m. income from continuing

operations rose 49 per cent in the latest quarter to \$2.33 a

CBS, the US media group, broadcast group, where net yesterday reported a sharp rise in net earnings for the fourth \$864.9m and profits surged 386

ouarter of 1989, reflecting per cent to \$60.3m from \$12.4m higher advertising charges in the same period of 1988.

which helped the company's broadcast business.

CBS said net profits jumped increase in income from continuing operations to \$297.1m or \$11.54 a share. However, net income plummeted 74 per cent to \$296.3m or \$11.51 a share, from \$1.15bn or \$44.75 a share a year earlier. Earnings for 1988 were distorted by a one-time after-tax gain of \$33.73 a share from the sale of CBS Records.

CBS said its broadcast The company said earnings were lifted by results from its group's sales grew 7 per cent in the year to \$2.96bn, while oper-

ating profits for the business jumped 27 per cent to \$294.6m. CBS Television Network, the second biggest TV network in the US, reported improved operating profits. CBS said the unit benefited from improved nd from ratings gains in entertainment, sports and news. The previous year, a television writers' strike increased CBS network

programming costs.

Net corporate interest in 1989 was \$180.7m, a decline of 2 per cent from a year earlier, reflecting a reduction in the average portfolio balance of cash and marketable securities during the year.

interim climbs

Mayne Nickless

to A\$65.7m By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security group, pushed equity accounted net profits 17.2 per cent higher to A\$65.7m (US\$49.7m) in the first half to December and is lifting its interim dividend by a third.

The figures contrasts

The figures contrasts sharply with those announced on Tuesday by its rival TNT where - hit by its half-ownership of the then strike-bound Ansett Airlines - net earnings fell 41 per cent to A\$72m. However, Mayne Nickless said the 1989 airline pilots' dis-

pute "also had an effect and directly reduced profit after tax by an estimated A\$3.5m." Revenues rose to A\$1.31bn from A\$1.14bn. Domestic and North American results were described as encouraging but in the UK the Parceline service

suffered from expansion costs and Security Express was hampered by an increase in losses "due to armed hold-ups." The interim dividend is 20 cents a share, up from 15 cents. Previous earnings figures have been adjusted to reclassify some extraordinary items as abnormal items, in line with a new accounting standard.

NOTICE TO HOLDERS OF SONY CORPORATION

\$55,000,000 6% Convertible Debentures Due October 31, 1997

Pursuant to the previsions of Section 3.04(B)
(2) and (E) of the Indenture dated in of July 1,
1982, between Sony Corporation and The
Beak of Tokyo Trust Company, as Trustee,
the current conversion price (Yea.3,621.80) of
the Debentures has been adjusted as follows:
1. Adjusted Conversion Price:
Yen 3,620.0.
2. Effective date of adjustment: as
from February 14, 1990.

SONY CORPORATION

Dated: February 15, 1990

Aetna Life hurt by higher catastrophe loss

AETNA Life & Casualty, the largest investor-owned US

fourth-quarter net earnings despite strong revenue growth in the period.

Mr James Lynn, chairman, said earnings were hurt by substantially higher catastrophe losses as the company felt the impact of several natural disasters and higher automobile loss costs, which were not matched by adequate rate matched by adequate rate

Net earnings for the three months ended December 31 were \$150.6m or \$1.35 a share against \$209.1m or \$1.85 in

DM 1.000,000,000 Floating Rate Notes 1990/2000

Issue Price:

DSL Bank

Three-months-Libor less 1/5% a.s., payable quarterly in arrears on February 14, May 14.

Landeskreditbank Baden-Württemberg

The bond market

Creditors in from Genesis to Revelations

February 14, 2000, at par Düsseldorf, Frankfort am Main and Stuttgart

Trinkaus & Burkhardt

Amro Handelsbank Baden-Württembergische Bank Banque Paribas Capital Markets GmbH RRERANK Commerzbank

Sayerische Lande Bayerische Vereinsbank Crédit Commercial de France

Industriebank von Japan (Deutschland) Merzill Lynch Bank AG

amuel Montagu & Co. J. P. Morgan GmbH Morgan Stanley GmbH The Nikko Securities Co.,

Norddeutsche Landesbank Salomon Brothers AG Nomura Europe GmbH Gimzentrale

Schweizerischer Bankverein (Deutschland) AG Schweizerische Bankgesellschaft (Deutschland) AG Société Générale - Elsässische Bank & Co. Südwestdeutsche Landesbank Girozentrale

Sumitomo Bank (Deutschland) GmbH Westdeutsche Genossenschafts-Zentralbank eG

Westdeutsche Landesbank Girozentrale

Yamaichi International (Deutschland) GmbH

Dresdner Bank



Bankers Trust

International Capital N.V. (Incorporated in the Netherlands Antilles) U.S.\$200,000,000

Guaranteed Floating Rate Subordinated Notes Due 1996

For the three months 16th February, 1990 to 16th May, 1990 the Notes will carry an interest rate of 8% per cent per annum and interest payable on the relevant Interest payment date 16th May, 1990 will be US\$208.59 per US\$10,000 note.

National Westminster Bank PLC Group Treesury Settlements, London -- Agent Bank



BANK OF GREECE

US \$250,000,000 Floating Rate Notes due 1997

Holders of Floating Rate Notes of the above issue are hereby notified that for the Interest Period from 16th February, 1990 to 16th August, 1990 the tollowing information is relevant:

Rate of Interest: 8 % per annum
 Interest Amount payable on Interest

Payment Date: US\$ 433.65 per US\$ 10,000.00 nominal or USS 10,841.15 per USS 250,000.00 nominal

Payment Date: 16th August, 1990

Bank of America International Limited



The Export-Import Bank of Korea (Established in Korea under The Export-Import Bank of Korea Act) U.S. \$100,000,000

Floating Rate Notes due August 1990 For the six months 14th February, 1990 to 13th August, 1990 the Notes will carry an interest rate of 85% per annum and coupon amount of U.S. \$4,250.00 per U.S. \$100,000 Note, payable 13th August 1992

13th August, 1990. Bankers Trust Company, London

Agent Bank

US\$160,000,000

FLOATING RATE DEPOSITARY RECEIPTS DUE 1997
sequed by The Law Debenture Trust Corporation pic evidencing stitlement to payment of principal and interest on deposits with

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Banca Nazionale del Lavoro

Notice is hereby given that the Rate of Interest for Coupon No. 19 has been fixed at 8.625% pe and that the linterest for Coupon No. 19 has been fixed at 8.625% pe and that the interest payable on the relevant Interest Payment Date, May 15, 1990 in respect of US\$10,000 nominal of the Receipts will be US\$213.23 and in respect of US\$250,000 nominal of the Receipts will be US\$5,330.73.

Fabruary 15, 1890, London By: Cribank, N.A. (CSSI Dept), Agent Bank CTTBANC

¥3,000,000,000 13.5 per cent. Guaranteed Nikkei Linked Notes due 1991 unconditionally and irrevocably guaranteed by KREDIETBANK N.V. (Incorporated with kimited liability in the Kingdom of Belgium) Issue Price 101.125 per cent. New Japan Securities Europe Limited Bankers Trust International Limited

Daewoo Securities Co., Ltd.

Kredietbank N.V.

KREDIETBANK INTERNATIONAL

FINANCE N.V.

(Incorporated with limited liability in the Netherlands Antilles)

_U.S.\$110,000,000

7/4% Guaranteed Reteemable Convertible Preference Shares 1994/2005

Charanteed on a subgriduated basis by and convertible into Ordinary States of



POLLY PECK INTERNATIONAL PEGES

Shearson Lehman Hutton International

Nippon Kangyo Kakumaru (Europe) Barclays de Zoete Wedd Group Limited Limited

Standard Chartered Merchant Bank

Credit Agricole

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

Morgan Stanley International

The Nikko Securities Co., (Europe) Ltd.

Nomura International

NOTICE OF BEDEMPTION

104% Reads das 1993 NOTICE IS HEREBY GIVEN that

sees. (thus. Roads"), will be, receemed go May 19, 1990 (the "Redemption Dens") at the price of 101% of their principal smount, together with interest accrued to the Redemption Dete. Psyment will be made upon presentation and surrender of the Boads at the below listed paying agracies, together with all appurenant compone authorized surrender of any missing, unmattered coupons will be deducted from the sum otherwise due for the form the sum otherwise due for necessari. Interest on the Boads shall pear

syment. Interest on the Bonds shall case accrue on and after the Redemption Date Payments will be made at any of the bllowing paying spencies listed below:

For Registered Bonds Only: Citibank, N.A. Corporate Trust Services 111 Wall Street, 5th Floor New York, N.Y. 10043

Deutsche Bank AG Grosse Gallusstretse 10-14 000 Frankfurt, Germany

36 Strand condon WC2R, 1HB, England iticorp Investment Bank Luxembourg) S.A. 8. Avenue Marie Therese

ed: Pebruary 15, 1990

temporal certainess of the leh a properly completed aption certificate or equ eating your securities.

EUROPEAN INVESTMENT BANK

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest, and Divident Tax Compilence Act of 1983 unless the Fiscal Agunt has the correct texpayer identification number (social security or employer identification number) or examption certificate of the payer. Please furnish a property completed Form W-9 or examption certificate or equivalent when

For Registered Bonds and Bearer Bonds: ing Bearer Bonos: Caisse D'Epargne De L'Etat I, Place de Metz,

Auxemoourg Credictions S.A.

a Bd. Royal

Citibersk, N.A. Citibersk House

Salomon Brothers International Limited

Ssangyong Investment and Securities Co., Ltd.

S. G. Warburg Securities

Yamaichi International (Europe) Limited

This announcement appears as a matter of record only, January 1990.

Calcined Coke Corporation

(majority owned by the Alexander Floersheim Trust)

has acquired the

Moundsville Lake Calcining Plant

from

BP Oil Company

and entered into an operating joint venture with

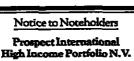
Conoco inc.

The undersigned arranged and provided financing to Calcined Coke Corporation.



Bank of America

Bank of America NT&SA



Up to U.S. \$82,500,000 enior Floating Rate Notes due 1998 (of which U.S. \$41,250,000

Notice is hereby given that the Interest Rate for the period om 14th February, 1990 to 14th March, 1990 is 8.6125%. The Floaring Rate Note Interest Amount payable on 14th March, 1990 is U.S. \$6.70 per U.S. \$1,000. Bankers Trust
Company, London Agent B

GMAC 79/A Ampt Backed Certific Series 1986 Ears-A On February 15, 1900 hulders of computes from the Aspet Bented Certificates will be existed to a depart bented Certificates will be existed to a desirable of Certificates will be existed to a february of the Certificates of General Section of General Section of General Certificates in USSIS-619, as follows:

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[38] Pool Factor... ISSA 172, 174,002,84

(4) Commany Assoquer... USSA, 171,002,84

MORGAN CUARANTY TRUST COMPANY

COMMERZBANK OVERSEAS FINANCE N.V.

Shawmut Corporation

U.S.\$50,000,000 **Ploating Rate Subordinated Notes**

Due 1997

Notice is hereby given that the Race of interest has been fixed at 8.75% and that the interest psyable on the relevant interest Psyment Date May 15, 1990 against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$216.32.

February 15, 1990 Landon
By: Citibonic, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

U.S.\$ 200,000,000 Floating Rate Notes Due 1993

In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 14, 1990 to August 14, 1990 the Notes will carry an interest rate of 81/4% per annum with a coupon amount of U.S.\$ 417.93 on U.S.\$ 10,000 .and U.S.\$ 10,448.35 on U.S.\$ 250,000 .-.

> Frankfurt/Main, February 1990 COMMERZBANK

Banco Di Napoli International S.A. U.S. \$150,000,000 Floating Rate Subordinated Notes due 1997 For the six months 14th February, 1990 to 14th August, 1990 the Notes will carry an interest rate of 8% per annum with a course around agreement. annum with a coupon amount of U.S. \$424.22 per U.S. \$10,000 Note, payable on 14th August 1990.

Bankers Trust Company, London Agent Ban

National & Provincial **Building Society** Issued of up to £200,000,000
Floating Rate Notes 1999
Notice is hereby given that for the three months 9th February. 1990 to 9th May, 1990 the Notes will corry an interest rate of with carry an interest rate of 154% per annum with a coupon amount of £371.85 per £10,000 Note and £3,718.49 per £100,000 Note payable on 9th May, 1990. Bankers Trust Company, London Agent Be

INTERNATIONAL COMPANIES AND FINANCE

Foreign production soars at Toyota

By Robert Thomson in Tokyo

TOYOTA Motor, the Japanese auto maker, yesterday reported a 26.1 per cent increase in pre-tax profit to Y329.9bn (\$2.3bn) in the first half to December. There were surges in foreign production and exports of components for its output abroad.

In announcing the results, company executives said that a site for a new factory in Japan was being considered, but production numbers had not been decided. The Ministry of Inter-

to temper domestic production plans for fear that exports of excess capacity could increase trade tensions.

trade tensions.

Mr Tsomu Oshima, Toyota's vice chairman, said that, although Miti was "not wrong" in advising caution, Toyota was responsible for its own future and "we are not in a position to receive very minute instructions from programmant. instructions from government

Total vehicle production for

units, a fall of 1.6 per cent, although the number produced overseas rose by 104.7 per cent to 273,924 units and the value of component sales for over-seas production rose 142.2 per cent to Y195.3bn.

The home market has been particularly strong, Toyota's sales there rose 9 per cent to 1.16m units. Exports for the period fell 15.3 per cent to 756,606 units, due to the impact of increased production

(Miti) has warned car makers the six months was 1.92m abroad. Vehicle sales made Y2.520bn, up 0.3 per cent, while total sales, including those of industrial machinery and houses, rose 6.7 per cent to

> Mr Oshima said that domes-tic demand should continue at current high levels, although the overseas market for the Japanese automobile industry is likely to remain harsh, reflecting uncertainty regarding the future direction of the US and European economies."

Fletcher shows surprise growth

By Terry Hall in Wellington

FLETCHER CHALLENGE, New Zealand's biggest com-pany, overcame sharp setbacks in its forestry, pulp and paper earnings to report a 9 per cent rise in net profits to NZ\$344.1m (US\$255) for the six months (US\$205m) for the six months to December.

The result was aided by a surprisingly strong perfor-mance from its New Zealand operations. The company had been expected to report flat earnings based on the prediction of Sir Ronald Trotter, the chairman, at the annual meet-ing that full-year earnings would be unchanged from last year's record NZ\$553m.

Mr Hugh Fletcher, chief executive, told a news conference yesterday that the fore-cast still stood, because there were so many uncertainties. He later amplified this, saying that the result would be within 5 per cent of the estimate. The forecast was based on an expectation that the first half of the year would be better than the second.

Mr Fietcher said that the group was watching the trou-bled corporate scene in Austra-

and had examined buying home. He added that this was and nad examined buying Brick and Pipe, the building materials business owned by troubled entrepreneur Mr Abe Goldberg. This would be in line with Fletcher's aim to expand internationally in sectors in which it had strong representa-

tion and expertise at home. However, the company would take a more conservative operating line over the next six months because of the shaky performance of Austral-asian stock markets. Fletcher was siming for an investment grade rating for its core bor-rowings, to enable it to use funding sources other than

Sales totalled NZ\$6.6bn, up 24 per cent. Tax took NZ\$105.3m against NZ\$74.8m and extraordinary items pro-duced a loss of NZ\$17.4m against NZ\$4.6m. The interim dividend will be an unchanged 11.5 cents a share.

Domestic operations pro-

vided 59 per cent of the earnings, compared with 48 per cent last year.

Mr Fletcher said the group

had been surprised by the good performance and growth at

possibly because the company has more confidence in New Zealand than other companies and had invested here when others had not." He expected that the economy would show

small growth this year.

The company's huge involvement in international pulp and paper proved costly. Profits from the paper division fell to NZ\$80.7m from NZ\$97.6m and pulp to NZ\$30m from NZ\$101.8m. Mr Fletcher blamed falling newsprint prices, the strong Canadian dollar and dis-ruptions due to plant moderni-cation sation.

He said that UK Paper, the recently acquired British high grade paper producer, was likely to produce a "mildly negative" result for the full

year after funding costs.

The New Zealand earnings were buoyed by a NZ\$53m. five-month contribution from Rural Bank, which Fletcher bought from the Government last year for NZ\$550m. Mr Fletcher said the bank was still expected to contribute NZ\$70m for the year after deducting

Sumitomo Chemical pre-tax rises 18%

SUMITOMO Chemical of Japan yesterday announced an 18 per cent rise in pre-tax profit to Y43.4bn (\$300m) on an 8 per cent increase in sales to Y601.7bn in the year ended

The company said sales of basic chemicals rose 3 per cent to Y387.4bn, despite reduced production resulting from planned maintenance of facili-Sales of speciality chemicals also increased by 8 per cent to

Cost of petrochemical production increased with a rise in prices of raw materials. The company said research and development expenditure also increased, although these costs were compensated for by strong sales, which were partly due to the inclusion of Y17.8bn in sales from an aluminium subsidiary amalgamated in October.

For the current year, the company expects sales of Y670bn, an increase of 11.4 per cent, and a pre-tax profit of Y45bn, up 3.7 per cent.

Bid shunned at Chinese **Estates**

By Michael Marray in Hong Kong

MINORITY shareholders in Chinese Estates, a Hong Kong listed property company, yes-terday voted against an offer from Evergo International, its parent, to take the company

They voiced dissatisfaction with the HK\$2.80 per share offer price, which was pitched at a 50 per cent discount to estimates of the company's net

asset value. The move underlines a newfound willingness by minority interests in Hong Kong to

scratinise and oppose moves by majority shareholders. The key to the failure of the Evergo offer was the opposi-tion of Asia Securities Internations), the company controlled by Australian entrepreneur Mr Hill Wyllie which owns around 7 per cent of Chinese Estates. Mr Wyllie met Evergo executives esriier in the week to make clear his opposition to the offer price, and suggested a special dividend payment as

But the Lan brothers who control Evergo, which holds 58.3 per cent of Chinese Estates, refused to raise their offer, having lifted it twice since making the HK\$2.50 a share bid in December.

The main asset of Chinese Estates is Windsor House, an office block bought for HK\$1.6bn (U\$\$205m) in Sep-tember 1987. It was valued at HK\$3.85bn last year. Speculation about interest in the prop-erty helped convince minori-ties to block the offer.

INTERNATIONAL APPOINTMENTS

Helmsman at Parsons to retire

THE US-based Parsons leum industry downturn of the jects, Parsons designed and is mid-1980s. Jects and jects, Parsons designed and is still the general engineering the also took Parsons private group, announced that Mr William Leonhard, chief executive and board chairman, plans to

retire on May 15. Mr Leonhard, who is 74, has led the company since 1974 and was responsible for its diversification into a wide variety of engineering fields which helped it weather the petro-

in 1985 in what, at that time, was the largest employee buy-out of a publicly held concern in US history. The selection of a new helmsman will be made from

the company's senior officers and the board will name the successor in March. Among its many notable pro-

ning 103-mile Washington, D.C., Metrorail system.

Parsons is responsible for

about 70 per cent of the oll and gas facilities associated with resource development in Alaska's North Slope region. In Yanbu, Saudi Arabia, the com-

pany is constructing a multi-billion dollar industrial city.

Former Dutch finance minister to be Unilever NV advisory director UNILEVER NV, Netherlands segment of the Anglo-Dutch The two new advisers will succeed Mr B.W. Biesheuvel

segment of the Anglo-Ditten food and consumer products group, has appointed Mr H. Onno Ruding, 50, the former Dutch Minister of Finance, as one of two new advisory direc-tors as from May this year. Mr Ruding, however, who left government when a cen-tre-left coalition took over from the previous centre-right administration in the Nether-lands last October, will still be the Dutch Government's candidate to head a proposed new East European development bank, the Dutch Finance Minis-

try has confirmed.

The other new advisory director will be Mr F.H. Fentener van Vissingen, 56, vice chairman of the supervisory hoard of SHV, the large privately-held Dutch energy and consumer goods concern.

and Mr E.P. Wellenstein, who are retiring.

MR ROBERT Malott, chairman and chief executive of Chica-go-based FMC Corporation, one of the world's leading produc-ers of machinery and chemi-cals for industry announced the planned approximent from the planned appointment from March 1 of Mr Robert Burt as president in succession to Mr Raymond Tower. Mr Malott plans to recom-mend Mr Burt's election to the

company's directors at a board meeting tomorrow.

Mr Tower is retiring from

eral management positions

FMC after 44 years' service. He has been president and chief operating officer since 1977.

Mr Burt, 52, joined FMC in 1973 and moved through sev-

before becoming a vice president in 1978. He was elected in 1988 to his current post of executive vice president.

MORGAN Guaranty Trust of New York, the large banking subsidiary of J.P. Morgan, announced the appointment of Mr Benoît Dumonit, vice president, as head of the commer-cial division at the Euroclear Operations Centre in Brussels. He succeeds Mr David Burrows, senior vice president, who assumes new duties at

J.P. Morgan's private banking division in New York.

The Euroclear System, operated under contract by Morgan Guaranty in Brussels, is the world's largest clearance and settlement system for internationally traded securities. Mr Dumont joined Morgan Guaranty in 1978 in Brussels.

Adviser for **Hong Kong Exchange** Fund :

By Michael Marray

PROFESSOR Charles Goodhart has been appointed to the advisory committee of Hong Kong's Exchange Fund, the government institution which manages the Colony's foreign currency reserves and intervenes to control the money supply. He is professor of banking

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and finance at the London School of Economics, and was formerly chief economic adviser to the Governor of the Bank of England.

In 1983, he helped advise upon the establishment of the linked exchange rate system for Hong Kong, which has since tied the Colony's currency to the US dollar.

Raychem top posts

AT RAYCHEM, the US-based materials application special-ist, Mr Robert Saldich will become president and chief executive officer on April 1. Mr Paul Cook, the company founder, will relinquish the post of chief executive but

remain chairman. Mr Robert Halperin will step down as president and chief operating

officer to be vice chairman.

Mr Saldich, 56 and presently
a senior vice president, has
been with Raychem since 1964.

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For the period of remuneration ending on AUGUST 10, 1990 a T.M.O.F. of 10.378 per cent or an ECU LIBOR of 11.5625 per cent or an ECU LIBOR of 11.5625 per cent as the case may be, will be used to calculate the coupon. This coupon periods on AUGUST 11.590 will not be less than ECU 58,85 per thre participated of ECU 1.000 inducting for the period an enusual rate of 11.5075 per cent.

Definitive coupon will be known siter publication of the net consolidated income for 1989.

NOTICE OF REDEMPTION

Engelhard Corporation 11%% Notes due March 29, 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Pacel Agency Agreement, dated as of laterth 25, 195, between Engelstand Corporation time Completely. I are The Channi Bankettan Bank (Network Association), as Placel Agent, all the above-mentioned Notes (the "Notey") will be reterrated on March 23, 1956 into "Surface and surface on March 29, 1950, on the Notes at Completely and Surface and surface of the Notes at Completely Surface on March 29, 1950, on the Notes at Completely Surface of the Notes at Completely Surface of the Notes at Completely Surface on the Notes at Completely Surface of the Notes at Completely Surface of the Notes at Completely Surface on t at the recomption price. At the recomption price.

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Peyment pursuant to the prosentation of the Notes for redemption made by transfer to a United States deliar succurit materialized by the payes with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (RS) and so beckup withholding of 25% of the gross proceeds (including premium, if applicable) if a payes letter to beckup withholding of 25% of the gross proceeds (including premium, if applicable) if a payes letter approach payer against again and the state of a non-U.S. person or an executed IRS Form W-8 in the case of a U.S. person. Those holders who are sequented to provide their accurate Taxpayer Mortiflication Number and who fall to do so may also be subject to an RRS perselty of U.S. \$50. Accordingly, please provide all appropriate certification when presenting the Notes for playment.

INSELIGATED CORPORATION

By: The CHASE MANIFATTAN BANK (National Association), Fiscal Adenti Dated February 15, 1990

Wells Fargo & Company

U.S. \$200,000,000

Floating Rate Subordinated Capital Notes due 1998

In accordance with the ions of the Notes, notice is hereby given that for the Interest period 15th February, 1990 to 15th May, 1990 the Notes will carry an interest Rate of 81/2% per annum.

Interest payable on the relevant interest payment date 15th May, 1990 will amount to US\$210.14 per US\$10,000 Agent Bank: Morgan Guaranty Trust Company of New York

London

U.S.\$100,000,000

interest Rute 8.8125% p.e. interest Period February 15, 1930 to August 15, 1930. Interest Payable per US\$500,000 Note US\$22,152.65. February *16, 1990, London* By Odbark, N.A., (CSS) Dept.), Agent Ball

INTERNATIONAL CAPITAL MARKETS

Anger at Bankers Trust over defector to CSFB

Allen Wheat tells Stephen Fidler about his move to CS First Boston's Pacific subsidiary in Tokyo

hen Mr Allen Wheat, chairman of Bankers Trust International in London, left the office last Friday, he hinted to colleagues that he might take this week off to go skiling.

At about 2pm London time on Monday, he telephoned the chairman of Bankers Trust in New York, Mr Charles Sanford, and quit. The press releases announcing that he was join-ing CS First Boston to run its Pacific subsidiary based in Tokyo were sent out two hours later.

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LIEG the Free :

The manner of the 41-year-old's departure from Bankers Trust, where he had worked for nine years, has enraged many of his former colleagues. However, that was not the worst of it: Mr Wheat, closely identified with Bankers Trust's shift over the last nine years from a retail bank to a highlyreputed merchant banking operation, was taking a dozen colleagues with him. Six of Bankers' London team had defected, with the rest moving

over in Tokyo.

The view of competitors was that CS First Boston had car-ried off a coup in stealing the highly-regarded Mr Wheat and a strong team, with skills in long-term financing, capital markets and the derivative products area, with particular strength in equity-related prod-

Part of Mr Wheat's job will be building a worldwide swaps operation. Mr Jack Hennessy, CS First Boston's chairman, said: "The global swaps and derivatives business has been a missing link in tying our group together."

Moreover, the move looks to be a severe setback to Bankers Trust's worldwide merchant banking operation. In spite of its lack of a strong presence in the underlying equities business, Bankers Trust built itself a special niche in, for example, covered warrants and other innovative and complex financ-

It follows a damaging blow Bankers Trust is learning the truth of the cliché that a merchant bank's most important assets are its peo-ple; and they can always choose to work elsewhere.

to the other side of its business in London, following from the financing troubles of Magnet. The kitchen group under-took last year a large leveraged buy-out, structured by Bankers Trust, which came unstuck in

The bank, viewed as having been blinded by the lucrative fees to the risks of bringing US-style financing techniques to Europe, has already had to put in place provisions for its loans to Magnet.

r Wheat said yester-day that there was no "team" defection to CS First Boston. His move will give him a guarantee for one year that he will equal last year's salary at Bankers Trust, plus a bonus, presumably plus
– as a member of the CS First Boston group executive committee - a share in the firm's

He is known as an individual who commands close loyalty among colleagues. He hired many of the others who are moving, including Mr Chris Goekjian and Mr Brady Dougan, managing

directors of long-term finance in London and Tokyo respec-

Given his background, CS First Boston's strategy in the far East becomes clearer. It has taken 13 months since its corporate reorganisation for it to announce a new head for its Asian subsidiary. Informal dis-cussions between Mr Wheat and Mr Hans-Jörg Rudloff, who will be his counterpart at the London subsidiary, began sev-

eral months ago.

eral months ago.

Already a member of the Tokyo stock exchange, the firm will hope to use the skills of his team to generate derivatives business, much as Bankers Trust has in London, particularly in the equities area. The aim is ultimately to put the firm in the middle of equity the aim is intimately to put the firm in the middle of equity investment flows in and out of Japan. It will also attempt to use its skills to help equity-re-lated business in developing markets in the Far East such

For Bankers Trust, it remains to pick up the pieces and rebuild damaged morale. A spokesman said that Mr Eugene Shanks, head of global markets in New York, will take over from Mr Wheat for an

interim period.
"The bank is bigger than a few people and we've already identified who will take up the new positions internally. It's opportunity for others," said the spokesman. Mr Wheat says the bank has

depth enough to bounce back quickly from the defections. However, Bankers Trust is learning the truth of the cliche that a merchant bank's most important assets are its people; and they can always choose to

FT INTERNATIONAL BOND SERVICE

Closing prices on February 1 Change on Desmark 64s 95.... Desmark 64s 95.... Norway 51s 95.... Norway 51s 95... World Bank 51s 98. World Bank 7 94... FLEATING BATE NOTES Alliance & Leic. Bid 94 £. Bank of Greece 99 US..... Seiglam 91 US.... Chelt. & Gloucester 94 £...

Jones Lang Wootton and **US Pru in** \$2bn scheme

By Paul Cheeseright, Property Correspondent

THE Prudential Insurance Company of the US and Jones Lang Wootton, the UK firm of property advisers, have linked with seven other financial institutions across the world to start a \$2bn property invest-

ment programme.
This is the first excursion of Prudential Insurance on to the international property markets. Although its manages a \$45bn portfolio in the US, its property investment previously has concentrated on the domestic market. US institutions, in the last

two years especially, have adopted an increasingly inter-national approach to investment generally. At the same time the property market has become more fluid with investment funds moving across national borders.

Prudential Insurance, Nationale-Nederlanden, Australian Mutual Provident Society, the Government of Singa-pore Investment Corporation, SPP of Sweden and three anonymous institutions — possibly Japanese — are each subscribing \$250m of equity to the Pru-dential Real Estate Investment Programme.

Jones Lang Wootton said yesterday it hoped four additional subscribers would be able to take part in the fund, bringing its capital up to \$3bn.

The buying programme and
the management of the properties after their acquisition will
be carried out by a partnership, set up by Prudential Insurance and Jones Lang Wootton, called Global Realty Advisors and based in Ber-

The first property purch are likely to be in Frankfurt, London, Paris, Sydney and Toronto. Investments will generally be held for 10 to 15 years and there is no intention of setting up a property trad-

mg operation.

The Prudential programme
is the second large institutional property investment
fund to start this year. Earlier
Crédit National of France said
it is leading institutions from
inne countries in Europolis
Invest, a fund with potential Invest, a fund with potential investment capacity of \$1.15bn set up to invest in European

Matif and Liffe launch new option

COMPETITION between the

London International Pinancial Futures Exchange (Liffe) and France's Matif heated up yesterday with an announce-ment by both exchanges that they will list an options contract on their Euromark futures contracts.

Both exchanges have been competing on Euromark futures since their inception last year. Liffe has besten the Matif on a launch date for the option which will start up on March 1. The Matif starts its option at the beginning of

April. Liffe's Euromark futures cot off to a contract has got off to a quicker start than Matif's, with Liffe's trading just over 150,000 contracts a month. contract on its APT electronic trading system where it has been trading around 500 lots an evening.

Guinness Mahon forges links with Yokohama bank By Andrew Freeman

THE BANK of Yokohama and Guinness Mahon have formed pany called Guinness Yoko-hama Leasing. The company will provide leasing and asset finance facilities principally for the Japanese b munity in the UK.

munity in the Us.

The group will work closely with the existing asset finance arm of Guinness Mahon. It will also provide vendor financing schemes to help sales of Japanese capital equipment in the UK. Guinness Mahon, is the UK weekent benking arm of UK merchant banking arm of Bank of Yokohama. • Royal Insurance, the UK

insurer, announced a \$100m three-year revolving credit facility, to be arranged and syndicated by Barclays Bank. The programme will be used for general corporate purposes and will act as a standby facility to support existing com-

ercial paper programmes.

• Daiwa Securities, one of the big four Japanese securi-ties houses, has announced that the Hungarian stock exchange in Budapest has isked it for advice on preparations to reopen in March, Reuter reports from Tokyo.

The co-operation will initially focus on bringing bourse employees to Tokyo for training.

This announcement appears as a matter of record only.

NEW ISSUE

14th February, 1990



HONDA MOTOR CO., LTD.

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> U.S. \$300,000,000 95% per cent. Bonds 1997

> > ISSUE PRICE 1011/4 PER CENT.

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The Nikko Securities Co., (Europe) Ltd. Barclays de Zoete Wedd Limited **Credit Suisse First Boston Limited Deutsche Bank Capital Markets Limited** Mitsubishi Finance International plc **Morgan Stanley International** Salomon Brothers International Limited **UBS Phillips & Drew Securities Limited**

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January, 1990

Johnson & Johnson

Lit. 100,000,000,000 121/8 per cent. Notes due 1993

Issue Price 101.45 per cent.

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Merrill Lynch International Limited

Banca Commerciale Italiana

Banca Nazionale del Lavoro

Banco di Napoli

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INTERNATIONAL CAPITAL MARKETS

World Bank issue well received

By Stephen Fidier, Euromarkets Correspondent

THE WORLD Bank yesterday launched the second of its global bond issues, a \$1.5bn, seven-year issue, to a positive reception.

The issue, the first to be traded in the new issue markets in Tokyo, London and

INTERNATIONAL BONDS

New York, will be finally priced this afternoon by lead managers Morgan Stanley and Goldman Sachs, after investors worldwide have been can-

vassed on their views.

The indicated interest spread over the seven-year US Treapoints, but the strength of demand was such that the maximum margin on the issue will be 35 basis points. A margin of less than that is

being considered, given that initial indications show the issue being oversubscribed several times. The previous global issue, for \$1.5bn over 10 years and launched in September, was bid yesterday at a spread of 41 basis points over the 10-

When the second issue was

NEW INTERNATIONAL BOND ISSUES										
Вопожег	Amount #9.	Coupon %	Price	Meturity	Fees	Book runner				
US DOLLARS Stand,Credit Cards Tst 1990♦ Stand,Credit Cards Tst 1990♦ Samick, Musical Instr.(a)§ Miraco (at.(Netherlands)(b) ♦	690 110 30 30	93 ₈ 1 (b)	99.44 99.47 100 102	1695 1995 2004 2000	271 k 271 k	Salomon Brothers Salomon Brothers Seangyong Inv. & Secs. Mitsubishi Finance Int.				
TWISS FRANCS (yushu Electric Power(c) •	150	712	10112	2000	23	SBC				
rEN Foronto-Dom. Bk(Cayman)(d)◆	6bn	8	100%	1991	3/12	Toyo Trust Int.				
AUSTRIAN SCHILLRIGS National Bank of Hungary(c) ◆	1bn	912	99.45	1997	n/a	Creditanstalt-Bankverein				

#Roating rate notes, \$Convertible. \$Final terms, a) Call from 1/1/92 at 104% declining 1% p.a. to par. Put March 1995 to yield 5½%. Conversion period Sept.91-Nov.2004. b) Launched in three tranches: \$10m pays 32½ bp over 6-month Libor first two years, then 10½% fixed. \$5m pays 60bp over 6-month Libor first two years, then 6½% fixed. \$15m pays 9½% fixed. One call only March 1992 at par. c) Non-callable, d) Redemption linked to Nikkel stock Index.

first mooted earlier in the year. the bank seemed likely to choose a five-year maturity. In the event, market conditions were such that a seven-year issue proved possible. Five-year issues are generally easier to sell and there is a strong demand for such paper from central banks.

The longer-maturity suggests a better spread of inves-tors. The seven-year maturity also allows the bank to price the issue at an issue spread to Treasury paper of less than US agency paper, while still attracting European investors. In the five-year sector, where

agencies are trading at about 26 basis points above the Treasury, the spread would have been too tight to bring out much European demand.
Mr Don Roth, the World
Bank's treasurer, said initial indications suggested that demand for the issue had been

stronger for the second issue than for the first. Yet there was some criticism of a "semi-global" \$1bn deal for Citicorp done by Salomon Brothers, priced yesterday afternoon. The deal was in two tranches, backed by Citicorp credit card receivables and sold mainly in the US but also

■ The UK gilts market was slightly stronger yesterday and overcame an early setback

when the Abbey National

Building Society said it would raise its mortgage rate. Gilts lost & of a point on the news

to Europe. Some houses said the issue, from European investors' point of view, had several potential drawbacks: it was not clearing through one of the established Eurobond houses and, like the World Bank deal, was only in registered form. Some would also be confused, traders suggested, by the so-called "soft bullet" maturity.

The issue carries a senior junior structure with the junior structure - \$110m worth of debt sold mostly in the US — guaranteeing payment after five years of the AAA-rated senior issue.

Yield in West Germany highest since 1982

By Deborah Hargreaves in London and Karen Zagor in New York

IT WAS another volatile day for the West German bond market yesterday as the average yield on bunds rose to 8.81 per cent, the market's highest level since September

Although the market opened

GOVERNMENT BONDS

slightly firmer, a short squeeze on the futures contract which saw a rush of selling at higher prices pushed bond prices back down again.

The futures contract on Liffe traded over 61,000 lots in another hectic day which saw futures prices closing lower at just under 83 after a close of 83.39 on Tuesday.

The Bundesbank's 10-year 7% per cent bond was fixed at 95.25 earlier in the day after Mr Karl Otto Pohl, the Bundesbank president, said the Ger-

		Coupon	Rad Date	Price	Change	Yield	Week ago	Monti ogo
UK GILTS	•	10.000 10.500 9.000	4/93 5/99 10/08	94-05 95-20 89-05	-1/32 +5/32 +5/32	12.26 11.26 10.32	12.31 11.39 10.46	12,04 11,02 10,08
US TREAS	SURY .	7.876 8.125	11/99 8/19	96-17 96-19	-7/32 -7/32	8.40 8.43	8.61 8.61	8.13 8.18
JAPAN	No 119 No 2	4.800 5.700	6/99 3/07	85.6438 94.4388	-0.506 -0.936	6.78 6.38	6.65 6.31	6.48 6.26
GERMAN	,	7.125	12/99	91.0000	-	8.51	8.15	7.49
FRANCE	BTAN OAT	8.000 8.125	10/94 5/99	90.4071 88.8800	-0.128 -0.120	10.69 10.00	10.57 9.97	· 10.15 9.49
CANADA	•	9.250	12/99	93.7000	-0.400	10.28	10.18	9.81
NETHERL	ANDS	7.500	11/99	91.1100	+0.540	8.89	8.57	8.12
AUSTRAL	A	12.000	7/99	94,1909	-0.616	13.08	12.73	12.97

Technical Data/ATLAS Price Sources

man capital market's fears that

unification could lead to higher inflation had been exaggerated. However, the issue traded lower towards the end of the day as volatility returned to the market.

but recovered as some retail buying buoyed the market. The benchmark long gilt 10.5 per cent closed & higher at 95.20 with a yield of 11.26 per

US Treasury bonds drifted lower yesterday in lacklustre trading without any unexpected economic news.

In the late afternoon, the Treasury's benchmark 30-year long bond was down & point at 100%, yielding 8.41 per cent. Prices at the short end of the yield curve fared better, with the two-year bond off % point to yield 8.24 per cent.

Fed funds — the rate at which banks lend to each other -- changed hands at 8% per cent through most of the day, and the Federal Reserve did not operate in the market.

Tuesday, with equanimity.

HOLITIES

The debt market absorbed the news of Drexel Burnham Lambert's bankruptcy protec-tion filing, announced late on

DTI rules put more life into Liffe

Deborah Hargreaves explains a long-awaited break for unit trusts

he futures and options lobby which has fought London's labyrinthine tax and regulatory structures is about to receive a longawaited reward from the Department of Trade and

Industry.

The DTI's publication of an arcane interpretation of an EC directive is expected to give closed-end investment funds — traditionally unit trusts in the UK — more leeway over how they use derivatives markets. The draft regulations, which

the DTI is expected to publish soon, will also allow futures and options funds to become established in the UK. London's markets are confident it will eventually attract investor interest in their products.

If these moves are accompa-nied by a change in tax status of derivatives in this year's UK Budget, as exchanges hope, it could significantly boost vol-

A recent growth surge for London's derivatives markets has boosted volume to a level where equity derivatives trade around 30 per cent of the value of the underlying cash market. This still falls behind France where the futures market transacts 110 per cent of the cash market value and in the US the futures do 400 per cent of cash market value.

Regulatory changes in the UK will not boost volume over-night but they will provide the right climate for a drive to educate fund managers about derivatives.

Unit trusts can now only use futures and options for bedg-ing purposes, but the DII is expected to broaden their scope by allowing them to employ derivatives' strategies for "efficient portfolio management". The department's statement will for the first time



Michael Jenkins: expects wave of business into Liffe contracts

define efficient portfolio man-Up till now, unit trusts have been required to hold the cash equivalent of a derivatives contract before employing a futures strategy to hedge that exposure. Under the new defi-nition, it is expected they will be allowed to make any transaction in derivatives without holding the underlying instrument as long as they hold cash to cover the investment in a derivative.

The DTI's statement will enable investment funds to become much more highly geared since futures offer a arge exposure for a fraction of the cost of a cash instrument. In addition, the derivatives markets offer the sort of deep liquidity that enables funds to be much more flexible in their allocation of assets.

While the DTT's statement will give unit trusts more access to the derivatives markets, few will be encouraged to use them until a confusing situstion over the tax treatment of derivative products is clari-fied. A strong futures lobby is hoping to see the tax status of derivatives changed in this year's budget.

The complex tax rules governing derivatives products often discourage some institutions from ever venturing into the markets at all. Unit trusts often have to give up their tax-exempt status when they become involved in derivatives

If the Inland Revenue was to class futures and options as investments in their own right, it could eliminate the complicated system of dual taxation that can exist for some inves-tors in the markets.

tors in the markets.

If tax changes are made in
the March Budget, and accompanied with the DTI's new
interpretation of efficient portfolio management, the impact on London's derivatives markets could be quite significant. Mr Michael Jenkins, chief executive at the London Interna-tional Financial Futures will be an accumulating wave of business into some of the exchange's contracts - particularly the FT-SE 100 index futures - as fund managers become more knowledgeable about derivatives.

D ublication by the DTI of draft rules for futures and options funds will give another important fillip to London's derivatives markets. The UK has not had a regulatory structure that allowed collective investment schemes in futures and options and as these funds have gained in popularity, business has moved offshore. In the US, futures and options funds have proved attractive to retail investors in recent years and there has been a rush to launch a variety

of fund products: Futures funds are a way for

small, private investors to gain access to the multi-billion dol-lar futures markets which they could not set foot in alone.

Funds will invest money across the markets and often guarantee a return of capital after a certain number of years accompanied by some of the high returns that can be gained from futures. Since these funds have been pre-cluded from setting up in the UK, several UK companies have moved offshore to launch their funds. In a recent move, Mercury set up its £100m 90/10 fund in Luxembourg.

¬ he Government has been aware of the loss of business caused by a lack of UK regulation for futures funds and the DTP's draft regulation is expected to give fund managers a chance to launch and market futures funds in the UK.

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Conservative futures funds called 90/10 funds are popular in the US and are expected to sell well in the UK. The fund provides a guaranteed return of 100 per cent of the initial investment. As well as the capital, the fund can offer a high return to investors by splitting 90 per cent of its cash into and using the remaining 10 per cent to gain a wide exposure to the markets with the use of

Since these funds invest across the board in derivatives, their launch in the UK could boost volume across London's commodity markets. "Funds provide a much safer opportunity for investing in a diversified futures and options portfolio." believes Mr Jenkins. For this reason, funds could bring the esoteric area of derivatives products much closer to the individual investor.

German equities 'due for fall despite slide in bunds'

PRICES in the buoyant German equity market are due for falls in spite of the plung-ing German government bond market, according to London-based brokers, writes Rachel

The reverse yield gap — which describes the inverted relationship between bond and equity yields — is currently very wide, reflecting the gains

125 | 25 | 33 | 139

was yesterday only 23.5 points the German stock market has off its high for the year yestermade to a great extent at the day, at 776.5. But traders at UBS Phillips expense of government bonds. Investors have pumped & Drew, the London stockbro-

money into German construc-tion, housing, and engineering companies since November last ker, will next week issue revised predictions for the yield levels German bonds will year, when East Germany announced it was opening its be reaching in the summer of this year. On the basis of their predictions, the equity market is due for a re-rating: borders. The market has risen in value by 25 per cent since. then, and the FAZ share index

researcher, said that 10-year bunds – which have risen from about 7.2 per cent in November 1969 to 8.86 per cent yesterday — will carry on clim-bing, to 9 per cent.

With bonds at these yield levels, the old relationship between German bonds and equities "no longer holds," the stockbrokers say.

LONDON MARKET STATISTICS

LONDON RECENT ISSUES

FT-ACTUARIES SHARE INDICES													
Compiled by the Financial Times Limited in conjunction with the institute of Actuaries and the Faculty of Actuaries													
	EQUITY GROUPS	 			me ri Hary			Tue Feb	Men Feb	Fri Feb	Year ago		
	& SUB-SECTIONS				13	12	9_	Cappro					
Flg	pures in parentheses show number of stocks per section	ladex No.	Day's Change %	Est. Earnings Yield% (Max.)	Grass Div. Yield% (Act at (25%)	Est. P/E Ratio (Met)	zd adj. 1990 to date	Index No.	izdex No.	ladex No.	inde:		
	CAPITAL 6009S (203)	873.51		13.01	4.85	9.36	1.62	173.57					
	Building Materials (27)	1065.71 1481.43	-9.6 -9.4	14.78 16.69	5.30 5.33	8,44 7,85	0.58 0.67	1971.92 1487.28		1007.64 1499.71			
		2489.78	-43	10.81	5.00	11.63	0.27 0.75						
5	Electronics (30)	1915.93	-8.2	9.39	3.76	13.78	18.21	1928.54	1916.85				
	Engineering Aerospace (8)		-0.4	13.98	5.10	4.78	0.04						
	Engineering General (44)	468.48 477.85	+8.4	21.98 24.68	5.64 6.29	16.65 4.57	1,28 8.09	466.55 467.64					
	Motors (16)	366.25	+8.4	14.46	5.76	8.78	6.40		361.94				
10	Other industrial Materials (25)	1567.24	+0.1	10.75	4.60	10.79	3.86	1565.31					
	CONSUMER GROUP (177)	1251.59	+0.3	9.02	3.80	13.84	3.95						
	Brewers and Distillers (22)	1459.39 1889.54	+8.3	9.58 9.85	3.61 4.87	12.89 12.63	6.54 1.70	1454.37 1490.39					
26	Food Retailing (16)	2281.27	+0.5	8.99	3.32	14.59	6.99						
27	Health and Household (13)	2431.86	+8.2	5.44	2.69	28.50	8.20	2427.58	2429.92	2456.90	2319.		
	Leisure (33)	1577.96		8.49	3.75	14.50	4.83		1575.44				
	Packaging & Paper (13) Publishing & Printing (17)	573.60 3524.73	+9.2 +9.4	12.25 9.18	5.40 4.99	10.31 13.90	0.96 21.20		573.1 <u>2</u> 3527.97				
	Stores (31)	783.71	+0.5	7.10 11.18	4.79	13.72	1.78	724.66	779.37	787.21	779.		
35	Textiles (13)	507.38	+8.4	11.39	5.91	10.64	9.27	505.31	502.62	506.69	516		
	OTHER GROUPS (103)	1176.89	+0.3	10.86	4.76	11.03	0.34						
41	Agencies (17) Chemicals (22)	1586.23	+0.7 -0.2	6.61	2.35 5.38	18.62	0.05						
43	Conglomerates (13)	1602.06	+8.2	12.66 31.21	6.12	9.31 18.48	6.57 8.80	1200.86 1599.24		1207.85 1617.87			
44	Тгалярогі (13)	12237.83	-03	10.61	4,29	11.78	2.88	2248.60					
46	Telephone Networks(2)	1248.94	+0.4	10.17	4.10	12.79	0.00	1243.81			1112		
47	Water (10)	2021.94	+1.2	17.24	6.70	6.43	9.00						
	INBUSTRIAL GROUP (483)	1877.99	+6.3	9.46	4.38	11.91	8.91		1875.28		_		
	INPUSI KING GRUUP (403)	1147,62 2419,18	+0.2	10.58	4.37	11.56	1.86		1145.16	1154.86	1088.		
픐	011 & Gas (17)	1253,05	+0.3	8.90	4.71	14,84	6.21			2429_32	1915.		
	FINANCIAL GROUP (114)	822.65	+0.2	20.34	4.42 5.17	11.94	2.20	1250.38	1248.64 819.86	1260.56 831.89	7		
	Banks (9)	863.18	+0.1	19.85	5.82	6.62	0.99 1.48	822,A7 842,64	863.83	883.27	754. 750		
65	Insurance (Life) (7)		-12		4.87	_	4.04	1379.96	1358.81				
66	Insurance (Composite) (7)	701.53	+0.4	- '	5.39	- 1	8.50	698.40	687.13	695.16			
67 69	Insurance (Brokers) (6)	1098.58	-0.7 -0.1	6.72	5.74 3.59	19.79	9.98 8.04	1196.42 496.32	1106.98		1824. 354.		
	Property (49)	1154.82	+0.3	7.90	3.76	16.01	1.30	1150.87	497.83 1155.41	591.73 1152.34	1309.		
70	Other Financial (28)		+8.2	13.12	6.39	10.06	1.75	329.93	330.11	331.99	387.		
		1216.53	+0.4	-	3.01	-	1.13	1211.84	1215.74	1221.99	1866.		
	Overseas Traders (5)	1407,05	_+0.3	10.81	6.50	10.89	30.79						
99	ALL-SHARE INDEX (687)	1149,67	+0.2		4.58		2.84	1346.88	1145.18	1156.72	1864.		
		ladex No.	Day's Charge	Day's High (a)	Day's Low (b)	Feb 13	Feb 12	Feb	Feb 8	Feb 7	Year		
\neg	FT-SE 100 SHARE INDEX4	2298.3						2313.6	_	2397.A			

FIX	ED I	NTE	RE\$	T			AVERAGE GROSS REDEMPTION YIELDS	Wed Feb 14	Tue Feb 13	Year ago (approx.)
PRICE INDICES	Wed Feb 14	Day's change %	The Feb 13	xd adj. today	xd adj. 1990 to date		British Geverament Low 5 years Compone 15 years	10.79 19.30 10.18	10.73 19.34 10.24	*8.98 8.82 8.75
British Government Up to 5 years 2 5-15 years 3 Over 15 years 4 irredeemables	114.97 124.97 133.51	+0.26 +0.18	114.83 124.64 133.27 150.15	-	2.02 1.60 0.98 0.00	5 6 7 8 9	Medium 5 years	11,78 19.67 10.28 11.92 10.87 10.41	11.82 10.70 10.33 11.97 10.90 10.46	10.14 9.25 8.88 10.28 9.46 9.04
5 All stocks	139.35 135.72	+0.21 +0.06 -0.25	123.89 140.21 136.06	0.94	0.64	11 12 13	Index-Lished Index-Lished Indiation rate 5% Indiation rate 5% Indiation rate 10% Indiation rate 10% Over 5 yrs. Indiation rate 10% Over 5 yrs.	10.20 4,48 3,89 3,62 3,73	10.32 4.49 3.87 3.62 3.71	3.44 3.54 2.64 3.38
9 Debenbres & Louis 10 Preference		+0_58	136.26 101.63 80.70	0.07	0.66 1.14 9.86	15 16 17	Delis & 5 years	13.47 12.72 22.71	13.49 12.80 12.79	11.79 11.25 10.72

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ve havel on precionégen lóm 26pm 3pm 114pm 47pm 21/3 TRADITIONAL OPTIONS First Dealings
Last Dealings
Last Declarations
For settlement roy Pet, Gaelle Res., Hambros, Hanson warrants, Next, Noriolk Capital, P & O warrants, Queens Most Houses, Rosensugh, Sasichi & Sastchi and Vista Entertainments. Puis in Amstrad Feb 16 May 10 May 21 40 pening index 2303.7; 10 am 2304.3; 11 am 2310.5; Noon 2302.5; 1 pm 2297.8; 2 pm 2296.1; 3 pm 2299.3; 3.30 pm 2299.3; 4 pm 2301.1

(a) 11.01am (b) 1.40pm t Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Tines, Number One, Southwark Bridge, London SE1.9HL, price 15p, by post 34p. PLEASE NOTE: The 1990 FTA constituent list is now available.

buyers. The March FT-SE index traded a total of 3,371 contracts, equivalent to £195m — less than Tuesday's hectic session,

The premium of the futures over the cash market widened to 10 footsie points, from 2 the previous foot

THE MARKET was slightly busier yesterday, aithough dealers said turnover was still too low to generate much excitement. Turnover, was weighted towards calls, was weighted towards cate, though this was not due to any change in sentiment towards the stock market, but because call activity increased in selected

to 29,592 contracts against 24,884 on Tuesday. Yesterday's total was divided between 21,054 calls and

busiest option, although trading volumes were almost half those of the previous day's. Early on there was some closing of bear

6rt. Airways 180 23 26 31 3 6 .8 rrys) 200 19 14 21 1 16 18 220 34 72 12 26 30 31

Books 260 26 53 40 6 21 23 (*274) 280 121₂ 21 28 14 20 22

British Steel 125 8 - 3½ - - (*)37) 340 - 8½ 10½ - 8¼ 12½

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Ladirole 300 18 26 38 10 16 18 (201) - 350 7 13 23 31 33 36

Stell Trees. 466 24 40 53 16 22 25 (MG4) 500 8 23 33 42 53 55

STC (*265)

CALLS PRITS
Apr July But July But

ous day. But dealers said the majority of the market remained bearish, a view bolstered by the news that the Abbey National Building Society had raised its mortgage rate.

Among the stock options, Sears was the busiest, trading 2,988 contracts, as bid speculation swirled around the market. Yesterday's total was divided between 2,720 calls and 268 puts.

CHLLS PUTS Apr July Dat Apr July Get

day on the expectation of a decline in Wall Street. But the troubles at Drexel Burn-But the troubles at Drexel Burn-ham Lambert failed to depress the US equity market, which had finished higher on the day. So after the initial flurry, trading turned slack. Total volume stood at 4,159 lots at the close, of which 1,695 were calls and 2,464 puts. The busiest series was the February 2,300 puts, which traded 614

contracts.
Futures was unable to provide much direction for the options or underlying market, it shrugged off some of the bearishness of ear-lier in the week as a small num-ber of institutions appeared as CALLS PUTS Par Jan Sep Mar Jan

_		44	-	Oct.	J.p	, he		Option) per	, 19	94	Apr	147	_ Oct_	Option		Par	-	Sep	-	-	Seg
	460 500 550	38 16 5	48 27 13	65 42 25	31	40	44	Ultranar (°375)	360 390		45 30	55 40	12 30	15 32	20 25	Abbey Rat. (*180)	160 180	23 7	25 13	28 16	- 2		5 25
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1		23	25	ZZ.	3	6	. .8 .	Brit Aero (*526)	500 550	30 4	27	. 45 . 45	3 28	_23 _50	77 52	Bardays . (*552.)	550 600	2 <u>1</u>	37 17	47 27	25 65	27 65	38 67
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	70 80	11,	15 16	18 14	11 6			BAT leds (*809)	800 850	18 4	35 32	83 57	8 45		39 67	British Gas (*230)	220 240	16 3	26 13	30 16	2½ 12	4½ 13	8 17
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1	950 LØVO	76 40	95 68	28 730	17 42	28 50	芝	CEC (*221.)	220 240	4 1	18 7½	25 13	3 20	8½ : 21	121 ₂ 23	Loorko C278 }	260 280	26 14	41 26	47 37	4 12	8 17	13 21
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	550 600	33	47 28 31 31	-	4	36 68 13	16	LASMO.	600 650	15	77 ·	14 ² 2 : 67 40	12 50 50	30 14-3	18 37 66	R. Rayce (*175)	160 I 180	թե 5եր 1	22 0½	28 17	14 10 1	51 ₂ 41 ₂	7 17
_	360 390 420	22,9	30 30 30	41	y 36	27 45	36	P. & Q.		-	ے : 344			284.3		Sears (*1,05.)	100 110	81 3	1½ 1 7	31 ₂	25 75 1	5½	7 13
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	390	25 10	36	47	21.	24 42	25	Pilkinglet (*220) Prodeollař	220 240 200	5 1 15	- 8 20	13	22	23	28	Thora EMI (*742)	700 750	, 55 20	85 50	_	1Š	13	25
	420 550	62	24 80	35 95	7	23	42 18	(*213)		2½	8	28 15	9	<u>\$</u>	17	TSB (*136.)	130 140	20 20 3	16	57 19 : 13	20 2½	32 .6	5
	600	28	48	64	29	33.	35	Raca! (*224)	220 230	3	17	29	10	18	16	Vani Reefs (*SLO1)	100	8	15	17 14	7 14		12 14
ī	100 100 152	50 25 13	81 60 32	90 102	42 77 115	50 80 120	60 85	R.T.Z. (*516.)	500 542	3	41	5 7	- 29	19	22	Wellcome (%74.)	650 700	47	80 J	82 82	15 43	35	20 42 67
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Feb Apr Jon Feb Apr Jos

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UK COMPANY NEWS

French acquisition confirms expansion track in lead up to 1992

Irish insurer sold for I£107m

By Patrick Cockburn

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ASSURANCE GENERALES de France, the fourth largest French insurance group, has agreed to buy the Irish business of the Insurance Corporation of Ireland for I£107m (£100m).

The corporation has been administered by the Irish courts since 1985 after its Lon-don office made losses of some

\$200m in 1980-84. Under the terms of yester-day's agreement Mr William McCann, the court appointed administrator, retains responsibility for the corporation's London office and the run off stem-ming from claims on discontinued business.

The move by AGF confirms the determination of French

insurance companies to expand in the lead up to the European single market. Last year AGF, which has a premium income of FF7 32.8bn, acquired NEM, a small UK mutual insurer and has also taken significant stakes in Assubel of Belgium and Milanese Assurazione of

The Irish government has formally given its consent to the deal though it must still be approved by the High Court. Mr Desmond O'Malley, the Minister for Industry and Commerce, said the Government would provide AGF and the High Court with necessary assurances about the run-off of remaining liabilities dating

Mr O'Malley said that the IEIO'm being paid by AGF and funding already provided by the Irish Government would meet the bulk of outstanding claims. However, he added that he

could not be certain that further funds might not be necessary. Claims dating from before 1985 are reinsured but last year the Dublin High Court gave permission for Win-terthur of Switzerland and 12 other reinsurers to bring an action disputing claims worth £30m by the Insurance Corporation of Ireland. They alleged fraud by the corporation. Mr McCann said be had been preparing the Irish business for sale since his appointment

in 1985. It has made a profit of IE33m in the past three years. Steps taken to make the company profitable included the sale of non-core activities in life assurance and banking, an end to underwriting outside: Ireland, the appointment of a new management team and the establishment of support for the company in the insurance

broking community. He said that over the last five years the company had achieved a key position in the Irish insurance market. The Irish business, including related assets and liabilities, of the corporation will be transferred to the AGF owned company which will have a capital of IE25m.

of decline after slack **Christmas**

By John Thornhill

PORTH GROUP, the USM-quoted manufacturer and distributor of Christmas decorations, did not have a very festive season last year, and warned yesterday that pre-tax profits for 1989 were expected to be lower than the previous

The company said, however, that profits would be sufficient for payment of a final dividend of 3.2p, making a total of 4.5p. Mr Jack Mansfield, director, said there were three main reasons for the profits decline: dampened demand because of the high-street retail squeeze;

higher labour and material costs exacerbated by unfavour-able exchange rates and a bad debt; and a bigger interest charge.

Porth, based in South Wales, was floated on the USM last April at 100p per share. Since then its shares have steadily slipped but were unchanged at

73p yesterday.
The company claims that it accounts for over 70 per cent of all Christmas decorations made in the UK and that its dominant market position will

Porth warns | Electra Kingsway sets up new investment operation

By David Churchill, Leisure Industries Correspondent

Managers, a specialist investor in unquoted companies, has set up a new investment operation to provide equity finance and financial advice for leisure and

hotel companies.
The new operation, Electra Leisure, will have access to the investment funds from both Electra Investment Trust, the parent company of Electra Kingsway Managers, and the £486m unquoted investment fund, Electra Private Equity

Partners.
One of the first ventures being partially funded by Electra Leisure is understood to be a new hotel chain called Periquito Hotels, to be run by three former senior executives from

Kingsway
talist investor
panies, has set
ment operation
y finance and
the Holiday Inn hotel chain.
Electra Leisure is headed
by Mr Brian Terry, formerly
with Security Pacific Merch
ant Bank in London.

Two former colleagues from Security Pacific, Mr Michele Meeus and Ms Judy Marsden, have joined Mr Terry in the

new venture.

Mr Terry said yesterday that the new fund had been established because "the largest impediment to the growth of the leisure industry is the lack of equity finance available to private companies." Electra Leisure, he added, will seek to build an invest-ment portfolio "consisting of

unquoted companies with growth potential."

In addition, joint ventures are planned with established leisure operators in a wide range of sectors, including hotels, resorts, sports clubs, and other companies supplying the leisure industry.

Electra Leisure within an armieste within

concentrate on projects within the UK and Continental

Apart from Electra Leisure, Electra Kingsway has three other investment operations. These are Electra Aviation, an international aircraft leasing company; Electra Property Finance, specialising in the provision of finance for property transactions; and Electra Innvotec, which specialises in corporate ventures.

GEC/Siemens to sell Plessey arm

THE UK's General Electric Company and Siemens of West Germany are proposing to sell Birkby's Plastics, one of the UK's largest producers of plas-tic injection mouldings, writes

Hugo Dixon. GEC and Siemens acquired Birkby's as part of their joint takeover last year of Plessey, the UK electronics group. Birkby's is based in Liver-

£36m and it is said to be profit-

GEC and Siemens are understood to have decided to dispose of Birkby's because it has little relationship with their core activities, it supplies plastic mouldings principally to their automotive and computer

First Boston, the merchant allow it to return acceptable profits in the current year.

Preliminary results for 1989 will be published next month.

Birkby's is based in Liver banking group, has been appointed to look for companies interested in buying turnover is approximately Birkby's. It is thought that the

most likely acquirers would be large international groups that specialise in plastic mouldings.
Some of the leading plastic
manufacturers around the world are: Plastics Omnium of France; Trinova of the US; Dynamit Nobel of West Germany; and Eurotech, part of the UK's BAT Group. Birkby's is part of Plessey's

aerospace and engineering division. Plessey originally acquired it when it took over AT&E in the early 1960s.

ERF in drive to strengthen UK presence

By Kevin Done; Motor Industry Correspondent

ERF (HOLDINGS), the UK heavy truck maker, has formed a financing joint venture, ERF Leasing, with Capital Charter, a leasing subsidiary of Bank of Scotland, aimed at strengthening its presence in UK truck

ERF Leasing is the first joint company relationship between a heavy truck maker and a clearing bank group.
The venture will offer a range of financial packages for new and used vehicle purchase

and fleet refinancing.
ERF has virtually doubled its share of the UK heavy truck market to 11.2 per cent over the last three years, but the company believes that it must

financing packages to support its attempt to raise its share to 15 per cent by the end of 1992. However, in common with other truck makers it faces a bleak outlook in 1990 as demand plunges. Mr Peter Foden, chairman, said yester-day that overall UK heavy truck sales in 1990 could be 30 per cent below last year's level. ERF is currently producing only 12 trucks a day compared

offer much more son

with a peak of 21 trucks a day a year ago, and it is effectively operating a four-day week with four-day production shutdown per month, an effective cut of 54 per cent in output. ERF's financial year runs to

Foden warned in November that the steep downturn in the truck market would have a heavy impact on the group's performance in the second half.

Competition in the UK truck market is becoming fierce, as sales decline steeply from last year's record level. ERF's new truck registrations dropped by 42.1 per cent in January, while heavy truck sales overall

plunged by 35 per cent.

As part of its venture with Capital Charter ERF is planning to offer contract hire facilities including maintenance and service support in an attempt to expand its presence

segments of the UK market.
The company estimates that contract hire already accounts for about 30 per cent of all UK truck sales above 7.5 tonnes gross vehicle weight, most importantly in the light and medium truck segments below 16 tonnes.

ERF, the last remaining independent publicly-quoted UK truck maker, currently gains only about 5 per cent of its sales through contact hire arrangements, but it expects contract hire to become increasingly important also in the heavy truck sector of 16 tonnes and above, where it exclusively operates.

February, 1990

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.



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the market's buoyancy to increase the company's flexibility and at the same time reduce costs.

"We are always reviewing costs. The insidious growth of overheads is a constant problem at which we are always working. We are wide awake to the danger," he said.

Analysts believe that the need to reduce costs may be paramount during the next year. Lord King warned yesterday that prospects for the company were dependent upon continued worldwide economic growth.

That growth may not be assured, however, Airlines in the US

That growth may not be assured, however. Airlines in the US have been reporting a rapid slow-down in their domestic market. About 50 per cent of BA's profits come from its routes to the Americas, and traffic originating from the East Coast of the US

appears to be slowing down.

At the same time, all airlines have been suffering from escalating fuel costs.

Record lifts holding in Easterbrook to 37.9%

By Clare Pearson

RECORD HOLDINGS, the power tool maker embroiled in an acrimonious struggle for Easterbrook Allcard, a private cutting tools business, has bought a further 5 per cent of Easterbrook's shares from Pru-dential Venture Managers.

lt said the cost was 750p per share, the level of its £13.2m recommended offer and the same amount it paid on Tues-day for the 3.1 per cent stake bought from Rowntree Pension

Record on that day clashed with James Wilkes, the engi-neering company which has launched an £11.5m hostile offer, over the amount per share they had each offered to Easterbrook's two institutional

Together with irrevocable undertakings from Easterbrook directors and certain other

irrevocable undertakings in respect of more than 50 per cent, but holders of 9 per cent

shareholders, Record now speaks for 37.9 per cent of the

company.
Wilkes has claimed receipt of

included in this figure are contesting the validity of the undertakings in the High Court. The hearing was adjourned on Tuesday for 14 days.
On Tuesday's conversations
Record denies that it ever offered any

shareholder more than 750p per share. Wilkes yesterday issued a statement saying that it had entered discussions with the two institutions only after it had become aware Record had made approaches to them.

"The company did not agree to meet the price sought by one shareholder," it said.

Hungarian offer success

THE OFFER of shares in Hungarian Investment Company, the first quoted fund to be dedicated to equity investments in Hungary, has proved

Kleinwort Benson, sponsors to the offer of shares and warrants, announced that it was oversubscribed by the time it closed yesterday. Details of allocations will be announced

With a minimum subscrip-tion level of \$50,000, the offer of 1m shares with warrants

attached on a one-for-10 basis was targeted at professional rather than private investors. Firm undertakings to sub-scribe for 75 per cent of the issue had been obtained from institutions prior to its launch last week.

The investment company, which emerges in the wake of last year's political upheavals in eastern Europe, is claimed to be the only east European fund to be listed on a leading stock

BET to reduce S African holding By John Thornhill

BET, the support services BET's stake will have group, is to reduce its holding the effect of shrinking in United General Investments, its Interest in Unitrans, its last remaining South Afri-can subsidiary, from 60 to 49

Sankorp Group, BET's South African partner, will in-crease its shareholding in UGI to 51 per cent at the end of the current financial year. This

specialist freight company, from 48 to 39.2 per cent. Unitrans is 80 per cent-owned by UGL BET's South African inter-

ests form a small part of its overall business, accounting for less than 1 per cent of earnreduction of ings.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Procke Tool Engfin	1,175†	Apr 3	1,1	1.9	1,8
C Flooring ∫		May 4	0.9	-	2
Sen Cons Inv Tstfin		Apr 2	4.49	9.46	8.44
estle Wisefin		Apr 20	1.75	3.5	3
EP Industrial 6fin			0.45	1	0.75

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. fOn capital increased by rights and/or acquisition issues. §USM stock. §SUnquoted stock. ♦Third

BOARD MEETINGS

TODAY Intertme- GT Venture Inv. News International. Pholo-kro International, Trace Computers, Wotseley, Yeoman inv Trust.	New Zealand Inv Trust Sheldon Jones Finals.	Feb. 21 Feb. 26
Finels- Amstrad, Cranbrook Electronia, Crast Nicholson, Green Property, Independent Newspapers, Norsk Hydro, River & Mercanitia, Tribune inv Trust, Trust of Property Shares. Furtured DATES finestime- Armour Trust. Feb. 16 Balley (Ben) Mar. 5	88G Inti StrD Securities Bensons Crisps Chistrian Fired Earth Tiles Lancs & London Inv Yrust Penpown Ind Stat-Plus Synamore	Mar, 20 Feb. 28 Mar. 27 Feb. 26 Mar. 14 Feb. 22 Feb. 25 Feb. 16

Hanson advances 15% to £225m in first quarter

By Andrew Bolger

HANSON, the diversified conglomerate, yesterday reported a 15 per cent increase from £195m to £225m in pre-tax profits for its first quarter.
Turnover in the three

months to December 31 was

£1.82bn, compared to £1.93bn in

the previous year. Mr Martin Taylor, joint vicechairman, said the figure had been reduced by disposals such as the sale of the Ground Round restaurant chain in the US, a majority stake in Smith-Corona, the US typewriter and word processor company, and Allders, the British department store and duty-free shopping

Fully-diluted earnings were

up 11 per cent from 3.5p to 3.9p.
Undiluted, the increase was from 3.5p to 4.3p.
The scant information available at this stage was slightly above analysts' expectations, although the company does not although the company does not give any divisional or geo-graphical breakdown. The shares closed unchanged at

227½p.
The figures included a contribution from Consolidated Gold Fields, the mining investment house which Hanson acquired last August for £3.5bn in Britain's largest completed takeover bid. Mr Taylor said

the company would not give details of the contribution until the half-year stage.

The tax charge was £54m (£47m). Below the line there was extraordinary income of £182m - largely profits on dis-posals, such as the sale of ARC America, the aggregates and construction products business which it inherited from Consolidated Gold Fields. Profit available for appropria-tion was, therefore, £353m

(ESISM).

Hanson did not give any balance sheet details. However, at the time of the final results to September it had net assets of

Lord Hanson has already promised to pay dividends totalling 10.4p for the current year to September, an increase of more than 20 per cent. By so doing, he hopes to encourage holders of nearly £1bn of 10 per cent convertible loan stock to convert to equity on February

Landau quits Imry for fresh pastures

By Paul Cheeseright, Property Correspondent

MR MARTIN Landau, deputy chairman of Imry Merchant Developers, yesterday resigned from the property investment and development group which he created with Mr Martin

He leaves the group at the end of next month.
Imry was acquired last July

for £313.6m by Marketchief, a consortium company set up by Mr Stefan Wingate, who had been running a private property investment company. Mr Landau acknowledged that the company "is a different animal from what it was."

But, he said, he was leaving "to explore other ideas", as there comes a point when "you want to stand back and see what's going on in the world." His resignation will probably be the most famous pause for mental refreshment in the

tive of Stanhope Properties, left Greycoat in the mid-1980s. Imry Merchant was created when Mr Landau's City Merchant Developers merged with Mr Myers's Imry International in March 1988. Effectively, it was an alliance between the City Merchant development programme and the Imry investment portfolio to create, in terms of stock market value, the twentieth largest property company in the UK.

Latterly, the group has been best known for its ownership of the site containing the remains of the Rose, the Shakespearian theatre on the south bank of the River Thames. But its development programme continues and yesterday it announced new plans for a three acres site at Islington Green, north London. There it proposes 1175.000 square feet of property industry since Mr offices, retail and worl Stuart Lipton, now chief execuspace and 30 new homes. offices, retail and workshop

Lloyds Merchant Bank rises 58% to £12.8m

By Richard Waters

LLOYDS MERCHANT Bank profit improvement had come announced a 58 per cent rise to £12.8m in pre-tax profits for 1989, thanks largely to the sale of stakes in six companies held by its development capital

LMB, which for the first time announced its results ahead of its parent, has recovered from heavy losses in its first two years of trading in 1986 it lost \$21.5m and in 1987, the year it pulled out of market-making in

enrobonds, £19.4m. Mr David Horne, chairman and chief executive, said the

development capital. The current year has begun strongly, with an investment gain from the sale of the bank's holding in Evans

Healthcare as a result of a buy-out, he said. The development capital arm has around 100 investements with a book value of £58m, although LMB said it conserva-

across all four divisions: corpo-

rate finance, investment management, stockbroking and

Eagle Trust confirms

LaForza sale for £1 Ragie Trust, the miniconglomerate at the centre of a Serious Fraud Office investigation, has confirmed the sale of its entire interest in the LaForza car project for a nomi-nal sum of £1.

Mr David James, the com-pany doctor who stepped in as chairman last September, revealed that while Mr John Ferriday was chairman £26m had been transferred from the company's funds to be invested in the project, although £13.5m of this sum was diverted through offshore companies and remained unaccounted

The sale of Eagle Trust's interest in LaForza had already been conditionally agreed with Mr Joe Monterosso, who runs the project in the US, by Mr Malcolm Stockdale, Mr James'

Caird placing to

worth £20m more than this.

tively estimates them to be

raise £4.6m Caird Group is raising £4.6m via a placing of up to 875,000 new ordinary at 526p. The majority of the shares are being placed on a private placement basis with US "accredited investors" and the balance are being placed with

UK investment institutions. The new shares represent 4.9 per cent of the existing ordi-hary capital of the company. The directors said that the company was continuing to invest heavily in upgrading existing facilities and acquiring new businesses which would add to the group's core

The proceeds of the placing will be used to continue this process of expansion. The new shares will not rank for the first interim dividend in respect of the accounting

period to December 31.

Mesgrs. Shareholders are hereby convened to attend the Extraordinary General Meeting

SOCIETE VITICOLE EUROPEENNE S.A. (en liquidation) Société Aponym

23, avenue de la Porte-Neuve LUXEMBOURG R.C. Luxembourg B 9.685 which will be held on Thursday 1st March 1990 at 11.00 a.m. at the headoffice for the purpose of considering and voting upon the

following agenda: - To consider the report of the liquidators.

Appointment of the Auditor to the liquidation. To fix the date for a final Extraordinary General Meeting to extenine the Anditor's report, to discharge the liquidators and the Anditor and to close the liquidation.

The liquidators

Section 1995 (1995) (19 A STATE SALE OF THE SALE OF TH

UK COMPANY NEWS

Leslie Wise unveils 30% improvement to £4.2m

LESLIE WISE Group yesterday announced a 30 per cent rise in pre-tax profits from £3.19m to £4.17m for the year to November 30. Turnover increased by 25 per cent from £27.69m to

Mr Leslie Wise, chairman of the textile group, described the results as an excellent achievement in a period of very high interest levels. It demonstrated, he said, the group's quick response to difficult trading conditions. An encouraging start had been made to this year, with sales in all divisions ahead of last time.

Mr Neil Wise, chief executive, said that the group's strong performance was due to its speedy response to chang-ing fashions which stemmed from the lack of any plant or machinery of its own. It took the company less than two

to £328,000

CH Bailey, which has interests

There was again no tax and earnings rose to 0.541p (0.297p)

Mr Christopher Bailey, chair-

man, said that he anticipated that results for the second half

would show an improvement

over the profits made in the

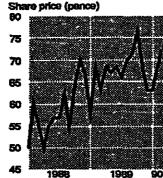
into clothes in the high street,

For example, it was able to switch its products to soft pas-tel designs when it became clear at Christmas that consumers were unimpressed by the bright, ethnic patterns that had been expected to dominate spring fashion.

The merchanting division, The merchanting division, which dyes and prints fabrics and which is the largest contributor to the profits, increased its market share. Margins were slightly squeezed in the second half as a fall in the value of starting increased. the value of sterling increased the costs of fabric sourced from Europe and the Far East.

The garment division benefited from a full-year contribu-tion from Jeamland and a two-month contribution from Verna Spence. The Ladies Pride garment operation continued to benefit from the 1988

Leslie Wise Group



restructuring. Earnings per share rose from 7.27p to 8.72p. A final dividend. of 2p was recommended, making a total of 3.5p, an increase

CH Bailey rises | Enlarged Brooke Tool shows decline to £1.53m

in ship repairing, yacht chartering, hotels and portfolio MR BERNARD Friend, who earlier this month took over as chairman of Brooke Tool Engiinvestment, lifted taxable profits by 75 per cent from £188,000 to £328,000 in the 28 weeks to October 13. neering (Holdings), reported an per cent downturn to £1.53m in pre-tax profits for the year to end-September. The increase was struck on turnover only fractionally up at £3.82m (£3.77m).

He said profits had been adversely affected by cost over-runs in excess of £200,000 on two orders for broaching systems, particularly one large

export order for India.

Another contributing factor to the shortfall was a £141,000 rise in interest charges to £379,000. This resulted from increased borrowings which reflected the group's acquisi-tion activity during the year. Turnover of the enlarged

group, a manufacturer of industrial cutting tools, improved from £19.46m to E22m. Earnings were 3.1p (3.7p)
per share and the final dividend is the promised 1.175p
which makes a 1.9p (1.8p) total.
Mr Friend said the group

was continuing to dispose of operations that were not making a sufficient contribution to profits or were no longer central to its core activities.

shares jump on return to profitability

SHARES OF GC Flooring & Furnishings, a USM-quoted supplier and fitter of carpets, yesterday jumped 25p to 53p following a return to profitability in the six months to

Profits amounted to £12,000 pre-tax. Although that compared with £285,000 for the opening half of the previous year, the company fell sharply into loss in the second six months of 1988 running up a deficit of £763,000 for that

The directors, who are maintaining the interim dividend at 0.99, believed the improved position together with proposed changes created an "exciting outlook". They

also called on shareholders for £1.6m via a two-for-three rights issue at 28p. Certain directors, their fami-lies and trusts accounting for an aggregate 5.61m shares (59.35 per cent) have under-taken not to take up their entitlement in respect of 3.74m shares. These will be taken up by primary under-writers who have agreed to underwrite part of the bal-ance of the issue up to a further 584,501 shares. ANZ McCaughan will underwrite the balance up to a total of

2.01m shares. First half turnover was little changed at £6.25m (£6.14m). Earnings emerged at 0.001p

Unilever buy

SIP information

Unilever has acquired Salada from Redco Foods, an US tea company, for an undisclosed

GC Flooring | French agency buys 29.9% of Broad St

By Clare Pearson

Street, the USM-quoted UK public relations group. The deal involves the depar-

ture of Mr James Gulliver as chairman of Broad Street. It is designed to give BDDP, frustrated last year in its attempt to take over advertising agency Boase Massimi Pollitt, an alternative foothold in the UK com-

nunications industry. Under pre-sale arrange-ments, Mr Gulliver together

BOULET DRU Dupuy Petit, the French advertising agency, has completed the acquisition of a 29.9 per cent holding in Broad to BDDP. The rest of the shares to BDDP. The rest of the shares to BDDP. sold 63 per cent of the shares to BDDP. The rest was acquired under a tender offer which guaranteed shareholders the sale of 27.8 shares for every 100 held.

After sales through both routes, Mr Gulliver's holding in Broad Street stands at 2.1 per cent and that of Mr Brian Basham, the company's founder, at 16.6 per cent. BDDP paid 42.5p per share, which compares with yesterday's price of 320.

SHARE STAKES

Applied Holographics: Schroders is now managing portfolios on a discretionary basis, holding in aggregate 915,000 ordinary,of which 437,750 are registered in name of Schroder Nominee. Notification is also made under name of Schroder Capital Manage-ment International, which now manages on a discretionary basis a portfolio holding 70,000 ordinary. Notification is also made on behalf of Schroders Capital Management Internacapital management interna-tional which now manages on a discretionary basis portfolios holding in aggregate a further 1.17m ordinary of which 390,000 are registered in the name of Schroder Nominees.

Associated Energy: Following certain transactions a concert party now holds a total of 6.54m shares (23.6 per cent) Birmingham Mint: Scottish Amicable has an interest in 741,398 ordinary. (5.21 per

Countryside Properties: Both Mr GS Cherry and Mr RS Cherry have exercised options to purchase 10,000 ordinary each, at 213p per share. Total holding following these notifi-cations is 2.43m each with an

option over 150,000 shares (6.7 per cent owned and option over 0.4 per cent). Courtyard Leisure: John McLaren Donachie has increased his holding to 500,000 shares (6.2 per cent). Flexello Castors: Mr RM

Menko, a director, disposed of 5,000 ordinary at 171p each. Total holding now 210,000 (6.25 per cent). Mr M Menko and Mrs JW Menko now hold 135,254 and 675,254 ordinary respectively. Royal Insurance: Prudential

Corporation (together with that of the segregated funds, which they manage for clients) has increased its holding to 25.97m (5.38 per cent). Scottish Television: London Uberion (LAS Group) sold 100,000 ordinary. Total holding is now 519,250 (4.62 per cent) registered under Life Associaregistered under Life Associa-

tion of Scotland. Shoprite Group: Directors' stakes placed recently with clients of Neilson Milnes: DL Webster 15,000 shares, KA Oxenforth 10,000 shares and MB O'Hare 3,000. The total beneficial holding of all the direc-tors and their interests is 7.53m (65.41 per cent).

THE COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

20th April 1990

For a full editorial synopsis and advertisement details, please contact:

> **Meyrick Simmonds** on 01-873 4540

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

IPWICH & FELIXSTOWE

The Financial Times proposes to publish a Survey on the above on

MARCH 26 1990

For a full editorial synopsis and advertisement details, please contact:

Dominic Good

on 01-873 3000 or write to him at: Number One, Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES

Società Italiana per l'Esercizio delle Telecomunicazioni p.a.

Registered Office in Turin il L. 3,400,000,000,000 italian Lire, fully paid ad at the Court of Turin No. 131/17 in the Register of Companies Fiscal Code No. 00580600013

NOTIFICATION

as requested by CONSOB as per Share Prospectus disclosure legislation in connection with

Shares Redistribution

Increase of Shareholders' Equity from L. 3,400 billion to L. 4,670 billion

Notice is hereby given that pursuant to the deliberations of the Extraordinary General Meeting held on 14 November 1989, the Redistribution of the ordinary and preference shares which constitute the Shareho

Redistribution of the ordinary and preference shares which constitute the Shareholders' Equity of L. 3,400 billion by splitting each share of nominal value L. 2,000 into two nominal value L. 1,000 shares of like category (with the ensuing changes to the conversion ratio of the SIP 7% 1986-1993 convertible debenture loan, issued as per the General Meeting deliberation of 5/11/1986, which shall become equal to two preference shares of nominal value L. 1,000 for each debenture held). increase in Shareholders' Equity from L. 3,400 billion to L. 4,670 billion, as tollows:

 a) from L. 3,400 billion to L. 4,650 billion:
 L. 340 billion as a free bonus issue of 340 million shares of nominal value L. 1,000 each, of which 220 million ordinary and 120 million preference shares, to be allocated to shareholders on the basis of 1 new ordinary or preference share per 10 shares of the same category already held, following the aforementioned split-share redistribution. L 910 billion as a rights issue of 910 million ordinary shares of nominal value L 1,000 each, all to be offered at a unit price of L 1,300 (and thus at L 300 above par) on option to shareholders on the basis of 1 new share per every 4 (ordinary and/or preference) held following the redistribution and to SIP 7% 1986-1993 convertible debenture holders, on the basis of 1 share

from L.4,650 to L.4,670 billion, that is in the amount of L.20 billion, as a Company Employee issue of 20 million ordinary shares
of nominal value L.1,000, to permanent Company employees at a unit price of L.1,300 (therefore at L.300 above par).

In addition the Shareholders resolved to increase Shareholders' Equity - with specific reference to the maximum allowable amount of L. 240 billion made up exclusively of SIP 7% 1986-1993 convertible debentures - by a further maximum allowable amount of L. 24 billion, in the form of 24 million new preference shares of nominal value L. 1,000 each, with the usual entitlements, (hence modifying the conversion rate of the aforementioned debenture loan, which will become 22 preference shares for every 10 convertible debentures held). The increase of the Shareholders' Equity has been duly authorized by the Treasury Ministry and the resolution has been approved by the Court of Turin.

At the Board of Directors' meeting held on 30 January 1990, in execution of the mandate conferred on it by the aforementioned General Meeting, the following was resolved:

 Terms for effecting the above operations. - Split-share operation, ordinary and preference shares: from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at the Company offices only. - Capital increase assignment rights: from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at

the Company offices only. - Capital Increase, option rights: from 15 February to 19 March 1990 Inclusive, at the Company or appointed offices

 Capital increase new share issues to run from: 1st January 1990. Split-share and new share subscriptions may be effected at the following offices:

Company Registered Offices at: - Turin - Via S. Dalmazzo N. 15

Rome - Via Flaminia N. 189 and, in addition,

In Italy
 at the usual offices and Monte Titoli S.p.A., in the case of shares administered by the latter

at authorized institute branches

Assignment and option rights may be exercised by completing the specific form available at the abovementioned offices, utilizing:
- For ordinary and preference shares: the rights attached to new share certificates (nominal value L. 1,000, running from 1st January 1990).

- For the SIP 7% 1986-1993 convertible debentures: coupon A of the relative certificates Shares, are to be paid for by a sole remittance, upon subscription, at L 1,300 per share.

Option rights not exercised within the prescribed period shall be offered on the Stock Exchange as per the Civil Code Art. 2441, Total subscription of the shares against payment offered to the shareholders and SIP 7% 1986-1993 convertible debentureholders is guaranteed by Mediobanca.

For the new ordinary and savings shares originated from the capital increase and receiving interests as of 1st January 1990, a separate quotation will be required on all Italian Stock Exchanges. In agreement with the Turin Stock Exchange Dealers' Management Committee, it was decided to accept old certificates (representing shares of nominal value L. 2,000 each) for liquidation in February 1990, whereas for March 1990 only new certificates (representing nominal value L. 1,000 shares) may be used.

MICHELE GIANNOTTA

(President) Share Prospectus filed at the CONSOB Prospectus Registry on 8 February 1990 File No.1477.

A copy of the aforementioned Share Prospectus shall be available free of charge to whomsoever should so request it, at a) the registered office of the issuing body

b) The Exchange Dealers' Management Committees and the Share Listing Commissions for all Stock Exchanges

Publications of the Prospectus does not imply approval on the part of CONSQB of the investment proposed nor of the ment of the

The body responsible for publishing the Share Prospectus shall be held solely liable for the completeness and truthfulness of the on printed therein

Gruppo IRI-STET

EUROPEAN HIGH TECHNOLOGY

The Financial Times proposes to publish a Survey on the above on

20th March 1990

For a full editorial synopsis and advertisement details, pl

Meyrick Simmonds

on 01-873 4540 or write to him at:

Number One, Southwark Bridge London SE1 9HL.

FINANCIAL TIMES

EUROPEAN FINANCE AND INVESTMENT -

The Financial Times proposes to publish this

survey on:

PORTUGAL

27th April 1990

For a full editorial synopsis and advertisement details, please contact:

Henry Kryzmuski

Lindsay Sheppard on 01-873 3699 or 01-873 3225

or write to them at:

Number One Southwark Bridge London SE1 9HL

or in Portugal Roberto Alves Alameda Dom Afonso Henriques 78-2-D. 1000 Lisbon Tel: 808284 Fax: 804579 Telex: 12787

FINANCIAL TIMES

UK ECONOMIC INDICATORS ECONOMIC ACTIVITY- Indices of Industrial production, (1985 = 100); engineering orders (2 billion); retail sales vo 100.2 710.7 110.3 100.2 110.1 111.7 112.0 112.0 112.0 2nd qtr 3rd qtr 4th qtr 1908 1st qtr. 2nd qtr. Nerch April May June July August Septemi October 111.7 114.1 114.4 22.3 29.4 18.4

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UK COMPANY NEWS

Axa's axles grounded on public road-block

Efforts to justify the possible sale of Farmers were briefly halted. Nikki Tait reports

F IT'S Tuesday, it must be California. The roadshow Assurances' chase for regulatory clearance to own Farmers Group, BAT's US insurance subsidiary, trundled into its second state this week – and was promptly left in no doubt that it had hit Farmers' home

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territory.
Only three hours into the hearing before the California Insurance Department, all the elegant financial arguments over potential gearing ratios and tax structures were swept

High-powered lawyers and much of the top brass at Ara — which plans to buy Farmers for \$4.5bn from Sir James Goldsmith's Hoylake consortium if the latter makes a successful bid for BAT – sat meekly

silent as the floor was given to the populist voice. "Millions of Californian policy-holders are the innocent bystanders in international financial intrigue," claimed Mr Harvey Rosenfield, from Voter Revolt, one of the major forces behind California's Proposition 103 legislation. This is the insurance reform law which resulted from a revolt by Cali-

fornian consumers against escalating automobile rates. "The insurance commissioner should require Farmers and Sir James Goldsmith to post a \$100m 'good driver bond'

Gross income rose to £6.6m (£6m) and net revenue to £4.2m

(£3.78m). On the income

At November 30 net asset

iles and it is planned to

at General

before she either approves or rejects the merger," urged one of his two fellow-speakers, Mr Bob Gnaizda, from Public

The bond, he explained later to the carefully-alerted battery of TV cameras and radio reporters who followed in the consumer lobby's wake, would be held by Commissioner Ms Roxanne Gillespie. If individuals felt: they had been unfairly treated by the insurance company, she would have the discretion to make payments to

them from this pool of money. On the way, Mr Gnaizda and Mr Rosenfield managed to drop some swingeing allegations about "red lining" by Farmers (meaning allegations that it refused to insure drivers in some urban areas) and other some urban areas) and other allegations about the insurers' failure to sell good-driver discounts to certain customers.

All this is speedily denied by Farmers, which is based in Los Angeles and derives about 40 per cent of its business from California. Red lining is, after all, an illegal oractice.

all, an illegal practice.
Quite what Sir James would make of million-dollar protectionist bonds, history does not

But the bizarre break in the proceedings was a salutory reminder that for the California Insurance Department. and even to an extent Farmers, his predatory ambitions are

All-round rise Anglesey placing to Consolidated. raise £1.5m

Anglesey Mining is raising £1.5m via a placing of 1.01m new \$p ordinary shares at 154p aptece by Kleinwort Benson Securities.

The proceeds will be used to continue All-round growth was shown by General Consolidated investment Trust in the year ended November 30 1989 with higher income, earnings, divi-dend and net asset value.

continue certain underground development and engineering work throughout the final fea sibility and financing stage of the Parys Mountain base metal

(8.45p) and the dividend is raised to 9.46p (8.44p) with a final of 5.46p. The stepped preference shares receive 2.795p Initial results have been encouraging and a target date for completion of the feasibility study has been set for July value per income share had moved up from 53p to 56.9p, and per preference share from 1990. Discussions have already started with a number of banking institutions for the financing required to bring the Parys Mountain mine into pro-106.2p to 114.2p. By December 31 some 35 per cent of the port-folio was invested in smaller

Dealings in the new shares will begin on February 22.

add to that exposure. COMPANY NEWS IN BRIEF

tional Trust its entire holding interest." (25.1 per cent) for about £1.84m. Clayform has also agreed to buy a further 1m Dunloe shares for about £420,000. At present it owns 5.23m (28.5 per cent), but, if the requisite approvals are given, it will own 10.7m (60.2 per cent), in which case it will make an unconditional cash offer of 45p for each Dunioe share. NATIONAL AUSTRALIA Bank

has completed the acquisition of Yorkshire Bank for an aggregate cash consider-

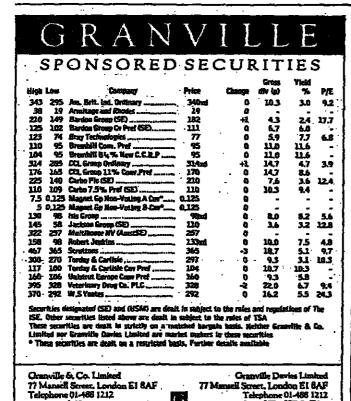
CLAYFORM PROPERTIES is ation of 2976.5m, plus to buy from Weslern Interna-STEEL BURRILL IM necessary consents from Lloyds have now been obtained for the acquisition of a control-

> now be finalised. UDO HOLDINGS has agreed to purchase the trade and certain assets of Birmingham-based DM Reprographics for £1.26m, to be satisfied by the issue of 100,000 shares and £1.04m cash. UDO will also acquire stock at valuation which will not exceed £80,000.

> > Telephone 01-488 1212

ling interest in SBJ North

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"Non-quota loans 8 are 1 per cent higher in each case than non-quota loans A, fEqual instalments of principal, 17 Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and



Bob Gnaizda has proposed that Roxanne Gillespie (left), should hold a \$100m 'good driver bond' put up by Sir James Goldsmith (right), were Hoylake to win control of BAT

something of a distant irritant compared with the all-too-pres-ent, lawsuit-littered tunnel of Prop 103.

Insurance Department offi-cials, who had appeared less than enthralled as the Axa-Farmers arguments were peraded, scribbled dutifully as the consumer lobby took the

For this reason alone — the sheer workload which Prop 103 has generated — the state's tight eight-day hearing time-table on the Axa-Farmers mat-ter is probably welcome.

Cross-examination of the selected witnesses is limited to one hour and already the lawyers have been claiming Brownie points for brevity.

The French contingent is somewhat less adept at this game. Mr Claude Bébéar, Axa's chairman and fairly expansive by nature, repeatedly con-strained himself to yes and no replies in a series of cleverlydesigned questions, before bursting forth into a torrent of explanation. He received sev-eral gentle reprimands from the hearing officer.

The California proceedings offer a sharp contrast to the Illinois hearings where a record is being set up for the other eight states (including California) which must decide on Axa's suitability.

There, matters have already lasted several months and are still continuing.

Other contrasts are notice able, too. Gone is Chicago's comfortable Conference Centre and the California bearing is unfolding in a grim neon-lit auditorium of the State Build-ing in downtown Los Angeles.

"It's a wild place, California," remarked one observer as the consumer group's she-nanigans erupted. Indeed. Taped on a pillar at the State Building's entrance yesterday was the announcement: "Insurance hearing, Room 122." Underneath it, a similar handwritten notice read: "Cemetary testing, Room 1,238."

Axa and Sir James can only hope that their aspirations will not be buried as the parochial matters press in.

accelerate Norton to £517,000

WITH THE boost of substantial profits from the US, Norton Group doubled its pre-tax outcome for the half-year ended October 28 1989 from £257,000 to £517,000. The group is involved in engineering and distribution, makes the Norton motorcycle and rotary engines, and in the US distributes pipe fittings

and flanges.

Last June it reversed into Minty, the Oxford-based furniinve maker, and gained a full listing. But Minty's assets have been sold, or are con-tracted to be sold.

Mr Philippe Le Roux, chief executive, said those Minty businesses showed a marginal profit whereas the engineering and distribution divisions were profitable. Pro-Fit, in the US, made a "substantial con-

US, mane a substantial contribution.

The Norton motorcycle and rotary engine business lost money. But the award of a US navy contract for rotary engines and the launch of the F1 motorcycle should lead to Norton Motors breaking even in the second half and trading profitably thereafter, he claimed. Deposits had been taken against over 90 orders for the new F1.

Referring to property sales, Mr Le Roux said the Oxford transaction was subject to completion at the end of March. Contracts for the sale of the Camden properties were not faifilled, but the substantial deposits forfeited covered their contracts agents. their carrying costs. They were currently on offer.

US interests | CRH pays £13m for three US companies

By John Thornhill

CRH, the Irish building materials group, has expanded its interests in the US through the acquisition of three companies for \$22.4m (£13.8m), including the assumption of

debt.
The acquisitions have been made through Oldcastle, its US holding company. They are Betco Block and Products, Goria Enterprises, and Eastern Prestressed Concrete Systems. In 1989 they made a combined trading profit of \$4.9m on sales

of \$40.7m.

Betco has operations in Maryland and Virginia and makes a range of building products, including concrete masonry, paving products and clay bricks. It mainly serves the housing markets in the metropolitan area around Washingpolitan area around Washing-

The North Carolina-based Goria produces concrete masonry, patio pavers, and concrete burial vaults. Mr Pierre Goria will remain chairman and will run the company in close association with Betco and Adams Products, which was bought by CRH in 1987.

Eastern Prestressed Concrete Systems, based in Philadelphia, manufactures structural concrete for buildings and bridges for use in parking decks and

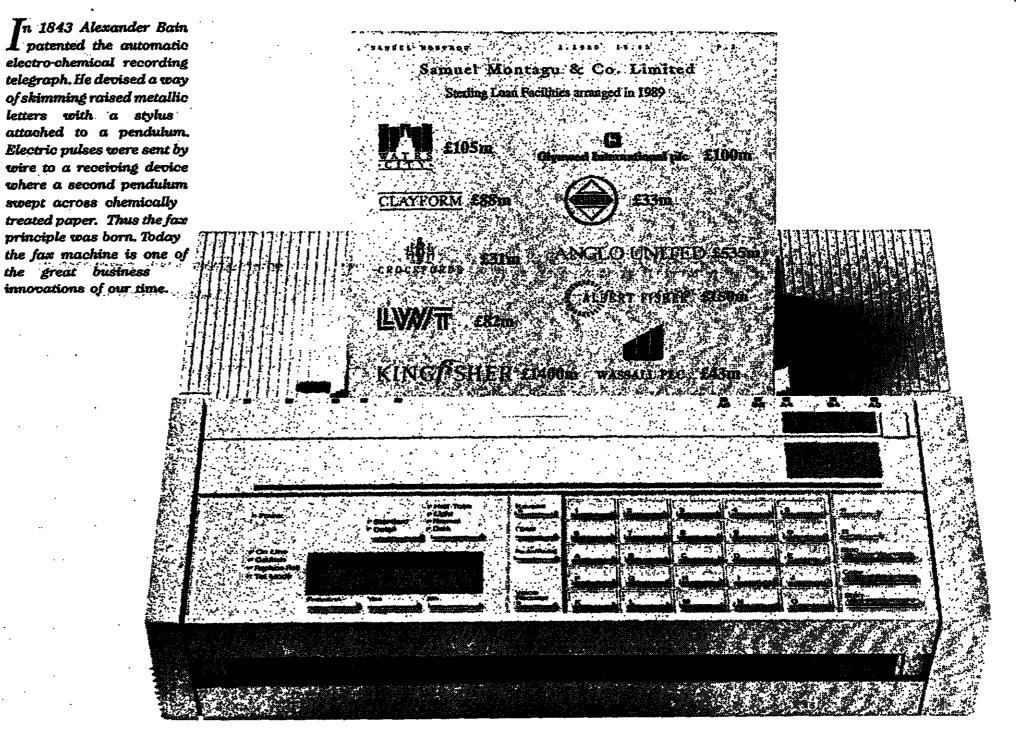
highway bridges.
CRH claimed the company would complement the activities of its existing Spancrete Northeast subsidiary which is centred in New York state. The combined sales of the two com-panies will be about \$50m.

European side helps SEP improve 88% to £2.49m

TAXABLE profits of SEP Industrial Holdings, the USM-quoted manufacturer and distributor of industrial fasteners and precision components, expanded by 88 per cent to £2.49m in the 12 months to Sep-

tember 30 1989.
Mr Paul Formby, chairman and chief executive, said the outcome - up from £1.33m last time - reflected the substantialexpansion of the group's international distribution business with strong contributions coming from the European division and the components and linkages side. Turnover was sharply higher at £47.68m (£17.37m). Earnings rose to 4.01p (3.14p) and a proposed final dividend of 0.6p makes a 1p (0.75p) total. Mr Formby warned that trading conditions in the UK had become "increasingly diffi-cult" since the group's year-

However, with more than half of turnover and a substan-tial proportion of profits coming from overseas markets, he believed the group was in a strong position to withstand the effects of any continued downturn in the UK.



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In spite of the enormous publicity given to mobile communications systems, the simple need for companies to keep in touch with their fleets of cars or lorries is often overlooked. But while the suppliers of upmarket personal gizmos have been stealing the limelight, technologists have been beavering away to bring modern communications to vehicles from the local taxi to the inter-

national lorry.

Computer-controlled digital signalling and satellite trans-missions are just two of the technologies making their debut as a way to help freight companies locate their vehicle fleets and send voice or text messages to them.
The US, home of the trans-

continental juggernaut, is at the forefront with combined vehicle location and messaging

systems already in use. Take the Schneider National truck company, from Green Bay, Wisconsin, which has a fleet of 5,000 articulated lorries (plus a further 2,500 on lease) which ply their way across North America from Vancouver to Miami. Until a year ago, once a driver had delivered a load to its destination, he or she had to resort to a public phone box in order to find out

where the next job would be. Now, says Dan Sellers of Schneider, the destination is sent electronically via satellite, and picked up and displayed on a computer terminal in the cab of the lorry.

Schneider uses a system developed by Qualcomm, of San Diego. When an order comes in, the information is fed into the Schneider mainframe computer in Green Bay. A message is sent from this computer to Qualcomm's, and from there to a geostationary satellite hovering in orbit 36,000 km above the equator.

The message is then transmitted right across North America, but in code so that only a truck with the appropriate receiving equipment can pick up the signal.

The time between the message leaving the Schneider mainframe and an acknowledgement being received in three minutes. That may not



Ground control to trucker Tom

Della Bradshaw reports on techniques that allow a company to contact its fleet vehicles instantly

split-second world of the computer industry, but it is considerably quicker than asking the driver to find a public call box. Sellers estimates that the installation of the system has resulted in savings of between one and two hours of each driver's time every day. With 5,000 trucks on the road that is a potential saving of 50,000 hours a week - enough to drive about 1.5m miles, or from Canada to Mexico and back

more than 150 times. As well as transmitting text ages, the Qualcomm system incorporates a location system called Loran C, which uses data transmitted between the mobile unit and two satel-lites to pinpoint the vehicle's This helps Schneider give a

better service to its customers, says Sellers. "The customer may call in and want to know where his shipment is and when it will arrive. We can say, it's 50 miles south of Chicago, Illinois, so it should be with you this afternoon." Schneider says the vehicle

be particularly fast in the location service also means a tighter control can be kept on the whereabouts of the fleet, and so the company can more easily work out which lorry should be sent where.

Although pioneered in the US, similar services are being introduced in other countries by the international satellite ganisations. Eutelsat, the European Tele-

communications Satellite Organisation, based in Paris, is conducting trials of a service called Euteltacs, based on equipment from Qualcomm which is working with Alcatel, the French telecommunications company. The 26 countries which are signatories to Eutelsat will be able to use its satellites to send text messages backwards and forwards between a fixed base and a vehicle

To use the service, the lorry will be kitted out with an 11inch circular antenna on the cab roof, an electronic transmitter and receiver, and a small display unit with key-

Another trial service is being

national maritime organisation. The equipment for Inmar-sat C is similar to that for

the cab instead of a dish. At present, telex-type messages can be transmitted between a company's headquarters and its vehicles. Eventually this will be extended to allow information to be faxed

Euteltacs, but with a cone on

or sent by electronic mail. Inmarsat, based in London. is not planning to introduce its own vehicle location system, but to enable its service to work with ones already available, such as Loran C, in North America and parts of Europe, Glonass, the Soviet pinpointing system, or the Navstar Global Positioning System (GPS), the US defence system.

Although both the US and Soviet systems were originally designed to pinpoint military vehicles, both will introduce a less sophisticated version for commercial use. The GPS system, for example, will eventually have 21 satellites tracing an elliptical orbit, giving 24hour-a-day coverage anywhere

vehicles to be located to within 18 metres, the section hived off for commercial use may only need to calculate the position to within 100 m.

Although all this may seem like pie in the sky, by the end of this year users in European countries will technically be able to get access to the GPS system for between 14 and 18 hours every day - that is the period when four of the orbit-ing satellites will be in view at

with the Qualcomm system, the vehicle is located by comparing the time it takes for signals to travel between it and two satellites. The more conhisticated CDS system. sophisticated GPS system needs four satellites to pin-point position, but it can also calculate distance from the earth – making it ideal for locating aeroplanes as well as road or sea vehicles.

Steve Horrocks, manager of navigation systems at STC, the UK electronics group which is one of the equipment manufac-turers for GPS, believes the system could be used commer-cially to track the route of valuable loads — gold or missiles, for example. Eventually he believes it could be com-bined with geographic informa-tion systems to give route

One network for tracking vehicles to within a distance of 50 m is already in use in the UK. Developed by Securicor, the security company, the Datatraks system uses radio antennae to send messages to and from the mobile unit, and so calculates the vehicle's position by comparing the signals sent back to the nearest group of antennae.

For those who just want to get messages backwards and forwards, the more traditional mobile radio companies, such as Band Three Radio, of Basingstoke, and National One, of Chelmsford, which use earthbound radio receivers, are beginning to offer national ser-

Eventually Callum Mackie, sales and marketing director of Band Three, believes companies may be able contact vehicles travelling through other European countries, as operators in West Germany, Holland and Denmark intro-duce radio networks based on the same equipment. "For your average-sized UK company based in Slough, with one salesman in West Germany, for example, it could be possible for the German and UK operators to agree to interco

in the world. The military part of the system will allow seasons

A PORTABLE phone, which can be used to send and receive calls in your car, in the street, at home or in the office, has been announced by Ericsson Paging, of esterdam, part of the Swedish Ericsson group. Ericsson calls the phone,

which weighs just 190 grams, the CT-3 (CT standing for cordiess talephone). The Dutch company has already said it will begin field trials of the system later this year, and other telephone compa-nies are expected to follow

CT-3, which is Ericsson's solution to personal communications, combines the emerging technologies for digital cordless phones (known as Dect) and pan-Europeun cellular phones

(GSM).
In the street, the phone will be able to receive and transmit calls using public base stations, while on the move the handset will be linked by radio to a base in the car, and from there into the cellular radio network. At home, it will be just like today's cordiess phones, while in the office users will carry the CT-3 in their pockets. The switchboard will then route any call to that extension through a radio link.

New sources of innovation

CHIEF executives and technical directors in manufacturing industry expect big changes in the way they manage innovation over the next five years, writes Clive Cookson. According to a survey by

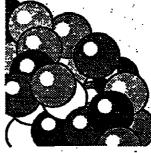
SRI International, of Croydon which took in the views of 350 respondents in the UK, West Germany and France, traditional R&D will be a declining source of innovation. "Human resource management" — getting more innovation out of everyone on the company's payroll — will become more important,

and sales At the same time, executives say an increasing share of new technology will come from outside the company, from collaborative R&D and from licensing arranger Seventy-three per cent of UK technical directors rate their own R&D as the most

important source of technol-

ogy today, but only 46 per cent say it will be the most

as will purchasing, marketing



WORTH WATCHING Edited by

Delia Bradshaw

motor

important source in 1995. The equivalent figures in West Germany are 38 per cent

today and 63 per cent in 1995. Pencil-shaped

THE chubblness of conven tional electric motors can stifie creative design, writes Lynton McLain.

Long thin motors could offer fresh opportunities for designers and so George Kidd, a retired Ferranti engi-neer from Edinburgh, has developed two pencil-shaped prototypes, the larger with an outside diameter of 1.25 in and the smaller, 0.85 in.

The thin motors have a greater power output than conventionally shaped ones, and their small diameters open the way to specialised applications, including power tools for dental use or for del icate grinding work, such as in Jewellery production.

They are even small enough to be used as drive motors sitting inside the rollers of conveyor belts: The long silm design has its wire coll windings on the outside of the arm unlike a conventional motor.

Plumping up food supplies

WAYS OF helping tarmers to increase the world's food supplies — by producing plumper sheep and cattle and by increasing the breeding of hens or rabbits — have been developed by Russian microbiologists and French

• The first is a dietary supplement known as BYK and developed by the National Research institute of Protein Substances, in Moscow. The aubstance is based on paprin, a yeast grown on purified petroloum paraffins. The paprin enriches the diet with protein and vitamins as well as amino acids, which make the animals grow.

According to Soviet tests, the amount of grain fed to the livestock can be reduced by 30 per cent, while the animai may increase its weight up to twice as quickly as it would on a conventional dist.

Nor is BVK intended solely for animals on the farm. Its inventors, who are hoping to interest overseas compa-nies in their formula, claim it is also good news for carp The second comprises

two software packages developed by Eclat, in France, which help rabbit and poultry breeders to increase "produc-The two packages - Clap

and Plum — help farmers to interpret the mass of data on breeding performance to pro-duce optimum results. The packages, which run on any IBM or compatible personal computer, can also be used to plan work, classity breed-ers and produce calculations.

To make the system more portable, Eciat has brought out a software package that enables part of the information to be taken into the coop or hutch on a Psion Organi Il portable computer.

A book typeset at bedtime

HOW DO you get a book type-set in a hurry? Send it to a place where the time difference means that it can be typeset while the publishers are asleep - Mauritius for

When Century Hutchison presented Selectmove, the west London typesetter, with a 410-page manuscript that needed to be produced in a hurry, Selectmove sent the manuscript by fax that after-

noon to its Mauritius office. There, some of its 100 staff keyed in the script in a form ready for pagination and sent it back to the London office over a data line.

As a result, The Bold Thing

— a novel about terrorist involvement in the bloodstock industry - will be on the shelves six to eight weeks more quickly.

CONTACTS: Ericason: Netherlands Institute of Protein Substances: USSR, 095 272 10 23. Eclat. France, 68 72

LEGAL NOTICES

BUSINESS LAW

EC Directives change securities markets

By Alastair FitzSimons

International Stock Exchange implemented the provisions of the EC Directives on admission requirements for Official Listings. The debate surrounding the future of the USM, the demise of the Third Market by 1 January 1991, and the possibility of the Stock Exchange being required to grant Official Listing status to securities that have received placings in other EC member states through the submission

of a prospectus, continues. The European Community's plan for the process of gaining admission to official Stock Exchange listings in Europe first took shape in 1980, when a Directive (80/590) was adopted within the broader Community scheme for easing the path of establishment of member states' companies in other EC countries through the harmonisation of various rules relating to the establishment and functioning of companies.

The requirement for implementation of the Directive in domestic law was met, in the UK, by Part IV of the Financial Services Act 1986, and pursuant to this through amendment to the rules of the Interna-tional Stock Exchange (the

"Yellow Book").
Essentially, the Directive provided for the adoption, by Stock Exchanges in all the member states, of certain minimum standards - principally, for a documented three-year trading history for the entity issuing the securities and applying for placement on the official listing.

Under the 1980 regime, the rules for admission to the Stock Exchange could not fall below these minimum standards, although they could exceed them. Thus the strict rules relating, in the UK, to admission to the International Stock Exchange could be main-

However, in 1987 the regime changed with the adoption of a Directive 87/345 amending the earlier one. The amendment was intended to prevent differing national standards that exceeded the minimum standards from acting as barriers to the admission to an official listing of securities that had already received such status in another member state Stock

Exchange. This was done through the mutual recognition of standards - a concept frequently used by the Community in preventing differing national standards from acting as barriers

to trade. Where a Community law provides for mutual recognition of standards, member states cannot rely on their own, possibly higher, national standards in order to prevent the entry into that state of goods or services from another member state that meet minimum standards specified in Community legislation.
Thus, under Article 24a(2) of

the amended Directive "listing particulars approved by the competent authorities [. . .] must be recognised in another member state in which applica-tion for admission to official listing is made." This require-ment is subject to very few exceptions (relating mainly to requirements for local market information to be contained in the applications made in each

Moreover, Article 24b provides for the recognition of listing particulars of prospectuses drawn up and approved at the time of a public offer by the competent authorities of member state either simultaneously or within a threemonth period of that application being made by prospectus. The same limited exceptions

apply.

A further Directive, 89/298, provides for certain minimum standards relating particularly to the information contained in prospectuses to apply to prospectuses published where securities are to be subject to public offer for the first time. It is thought that in connec tion with this Directive there may be a need to amend Part IV of the FSA to provide for admission to the Official Listing of securities admitted to other listings after submission

of an approved prospectus.

Clearly, if the International
Stock Exchange is to apply the same standards to securities issued on a purely national basis as to those securities that in addition to seeking admis-sion to the UK official listing have sought and obtained admission to official listings in other member states, the standards applicable to our own Stock Exchange will increasingly resemble those found in

other member states. In its 1989 consultative document. The UK Primary Markets, the Committee on Quotations of the International Stock Exchange (ISE), recognised that a five-year trading history requirement, already at odds with the three-year requirement found in other European countries and in the US, could not be reasonably maintained

for domestic securities issuers, where issuers from other member states are gaining admission to the same official list on a three-year trading history. The Committee also pointed out that the UK Stock

Exchange would need to move from a five-year history requirement to a three-year history requirement in order to remain competitive in attracting foreign companies with Stock Exchanges in other countries. The likelihood of such a

move has been recognised for some time. The consequences for the USM could have been fatal. With little to choose between Community minimum standards for admission to official listings and the require-ments of the USM, a move by the UK Official Listing to these standards would deprive the USM of most, if not all, of its attractiveness as an alternative to an Official Listing Placing. Speculation that a conse-

quence of the EC Directives would be the demise of one or both of the UK secondary and tertiary markets was denied by the Commission. Its view was that the requirements of mutual recognition of stan-dards would not inevitably require member states to adopt the same standards in relation to domestic securities as for securities admitted in other states, which would reduce the scope for operating a number of different markets with admission requirements con-

taining substantial differences. Further changes to the rules governing the admission to the Official Listing in the UK to accommodate admissions obtained by prospectuses on other official listings might well prove less comfortable than the changes to the Yellow Book now being introduced. From the reaction in the

press so far, it would appear that the reduction of requirements to three years' trading history for the Official Listing and consequent amendment to the USM (now two years' trading history requirement) in order to retain two distinct securities markets, is broadly welcomed.

However, this may merely reflect a view that the ISE has succeeded in doing no more than making the best of a diffi-cult situation, leading to the inevitable demise of the Third Market (new companies have not been admitted to the Third Market since 11 January) and the possibility of significant loss of interest in the USM.

If the USM is to continue to be as successful, it is important that it remains competitive in terms of cost advantages and regulations on further issues and acquisitions. Were the ISE to again reduce domestic standards in order to compete with standards on continental Stock Exchanges set by the minimum standards contained in the Prospectuses Directive, the value of maintaining two separate markets might be questioned.

The approach of the ISE has been based upon a realistic ement of the environment for international competition for securities listing admissions, as defined by EC regulations, and by a recognition that there is undoubted value in the USM and considerable disquiet about the standards and super-vision by sponsors on the UK's own Third Market.

This approach can be con-trasted with that of the Euro-pean Commission which has been to focus marely on the effects of strict compliance by member states with the provisions of the Directives rather than to follow through the logical practical consequences of their introduction The effects of the amended

Directive are to reduce the ability to maintain a number of widely differing securities mar-

The maintenance of a higher national standard for the pronational standard for the pro-tection of the investor becomes difficult to justify. Further, the maintenance of markets pos-sessing different standards (as to time, etc) is made harder by the difficulty in reducing these the difficulty in reducing these standards below those of the Official Listing in a way that would maintain meaningful differences and which would retain a second (let alone third) market of sufficient difference to the Official Listing which still maintained reasonably high standards.

Thus, if one accepts that the maintenance of the five-year trading history standards could not be maintained, the margin for manoeuvre of the ISE is quite restricted. The scope for maintenance of further securities markets, providing a forum for newer companies was reduced to a choice of trading history standards of two years or less. Clearly, it would be difficult to maintain two separate viable markets within such narrow parame-

The author is a researcher for London solicitors Wedlake Bell.

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FINANCIALTIMES

COMMODITIES AND AGRICULTURE

Soviets deny oil supply shortfall

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SOVIET OIL production and exports will be maintained this year, according to a wide range of Soviet oil officials and econ-omists who deny speculation in the West that serious shortfalls in output could be experi-

Some oil companies have been estimating a drop in Soviet exports of between 300,000 and 500,000 barrels a day this year. The Soviet Union is the world's largest oil producer, and second in exports only to Saudi Arabia

There is no change in policy. There are no plans to reduce exports, said Mr Gurly Petrunin, first vice chairman of Soyuznefteexport, the Soviet oil export agency, yesterday. Mr Petrunin said that direct exports of crude oil and oil products last year, including exports to the Comecon coun-tries, had droped by 10m tonnes, or about 200,000 barrels

a day, to 170m tonnes. The International Energy Agency has estimated that net exports from socialist countries fell by 100,000 b/d last

year. Mr Petrunin said this reflected efforts to co-operate with the Organisation of Petroleum Exporting Countries, as well as some transportation difficulties. Exports this year would be broadly in line with the 170m to 180m tonnes exported in recent years, he

years is under discussion in the Soviet Parliament, where some deputies are in favour of cutting exports, but would not affect plans for this year. There is also a fierce debate over how

NESTE, THE state-owned oil

and chemicals group, feels that recent political developments

in Sweden, which may force it

gramme by 2010, may put in

serious jeopardy Sweden's plans to import Soviet gas via

"It may well be that Sweden will not decide to import Soviet

will not decide to import Soviet or Norwegian gas this year," said Mr Ulf Schmidt, a Neste Gas Division director. "If this is the case, it is highly proba-ble that Sweden will not decide to purchase Norwegian or Soviet gas during this decade." "Event if the Swedes are con-

mitted to increase gas con-sumption levels, it is question-

able that there will be enough demand in Sweden for simulta-

neously importing gas from Norway and the USSR via Fin-

land if Sweden backs down

Finland this decade.

to reassess its commitment to nia sub-sea pipeline, which phasing out its nuclear pro-

much to invest in future oil developments.

Soviet oil production last year fell from 624m tonnes to 607m tonnes. However, despite a number of production difficulties experienced last year, which reflected broader problems in the Soviet economy, Soviet officials deny the industry is in crisis.

Planning officials in the Tyumen region of Western Siberia, where most Soviet oil is produced, say that investment, at Son roubles a year, has been maintained that that planned output is unchanged.

The industry has been rocked by transportation difficulties, including a shortage of aviation fuel in the producing regions that have disrupted supplies. But such disruptions have been a regular feature of oil production in the Soviet Union for many years. Strikes and unrest in

Azerbaijan have also disrupted the oil equipment and service industry, although the industry appears to be recover-Officials admit this could

affect the speed of future devel-opments, but say it has had only a passing effect on cur-rent production.

The Ministry of Oil is taking over certain factories from the Ministry of Defence and plans to transfer production of oilfield equipment away from areas affected by ethnic unrest. Transport bottlenecks have also cut deliveries of fuel to Eastern Europe, including Czechoslovakia and Poland.

from its commitment to shut

down its nuclear programme," Mr Schmidt added.

south-western city of Unsikanpunki to Gävle, Forsmark and Stockholm, is expected to cost

Recent Swedish political events coupled with Stock-

holm's reluctance to making a

decision to import Norwegian

or Soviet gas last year, has fuelled speculation that Swe-

den may gradually back down from its commitment to phase

out all of its 12 nuclear instal-

This autumn, Sweden is expected to make a decision on

which two nuclear installa-

tions it plans on phase out by

the mid-90s. Roughly half of

Sweden's electricity needs are supplied by nuclear energy.

almost FM1bn (£150m).

The cost of the Gulf of Both-

However, the Soviets have promised to make up these deliveries at a later date. weather conditions. On the consumption side, Czarnikow estimates the Soviet **Doubts raised about** Swedish gas import plan

Czarnikow points out that in 1984-85 world sugar production totalled 101m tonnes, and has only "inched up" to the expec-ted 106.3m tonnes this season, although there was a need earlier in the decade to reduce

carry-over stocks.

Despite impressive gains by individual producers in recent backs elsewhere so that the overall rate of improvement in world supplies has been much less than the growth in demand, says the report. "They key question over the coming months is whether cur-rent world prices are sufficient to give producers the confidence to embark on expansion

Increasing impact seen from sugar tightness By David Blackwell

over the state of the second o

THE GROWING tightness in the world sugar market will have an increasing effect on prices as the year progresses, according to Czarnikow, the Czarnikow has reduced its forecast for 1999-90 output by

167,000 tonnes to 106.3m tonnes, and cut its 1990 consumption estimate to 109.3m tonnes, compared with its November forecast of 109.5m tonnes. While the gap between the two has narrowed, a deficit is still in prospect "and it will be difficult to avoid a draw-down in carry-over stocks," says Czarnikow in its latest Sugar Review.

The production estimate has been reduced despite an increase in the overall estimate for the EC's sugar from beet being increased by 467,000 tonnes to 15.27m tonnes, and an increase in the Soviet Union estimate by 500,000 tonnes to

9.75m tonnes.

The biggest reduction has come in the US, where the total crop, including beet and Hawaiian production, is now put at 6m tonnes compared with a November forecast of just over 6.5m tonnes; production in Mexico, affected by the same freeze which damaged the US cane crop, is put at 3.3m tonnes compared with a November forecast of 3.55m tonnes. Cuba, South Africa and Thailand are all expected to have substantially lower crops, also because of adverse

Union will have a national requirement of about 4.7m tonnes, while China, with consumption forecast at a reduced 7.5m tonnes, could still need to purchase 1.25m tonnes on the world market.

years, there have been setplans which would meet the steady rise in consumption requirements. Next season production will need to meet off-

take which in 1991 could well

reach 110.7m tonnes, or about

4.5m tonnes higher than cur-

LOHDON METAL EXCHANGE

Seeds of reform planted on Malaysian estates

Lim Siong Hoon on initial efforts to deal with a crisis in the plantation sector

ALAYSIA'S commercial agriculture is in crisis. A national strike by 60,000 of its workers this month reflected the depth of labour frustration and how companies were trying to cope with perennial problems on their estates, thought to be among the world's most effi-

Three years ago plantation workers bargained with their employers for a deal similar to the one they were seeking this time: a guaranteed monthly wage in place of a daily production-related income. They failed then but now, with the Government on their side, they seem assured of success.

The plantation owners have agreed in principle to the monthly wage demand and the strike has been called off. The dispute is due to go to the Industrial Court (which found

Saturday but an out-of-court settlement is expected before In supporting the workers the Government was undoubtedly mindful of an approaching general election, but that was not its only reason. The need to slow the drift of labour away from the estates, already afflicted by a manpower shortage that is growing by 4,000 a year, was another pressing

for the owners last time) on

The monthly wage may not be enough by itself, however, to achieve this. Rubber tappers, for example, are among the most poorly paid workers in a country where annual income averages 450 ringgit (£100) a head, and many estates are enclaves of poverty, misery, and despair. Three days before the strike, the Malaysian Medical Association published the results of a survey of the estates which revealed a litany of woes: high mortality, poor sanitation and widespread disease. Workers' health care is left to the estates themselves, which spend, on average, only R26.40 per per-

One reason for this is shrink-ing profitability, although the best run estates still manage to maintain profit margins of 10 to 16 per cent. Estate managers estates from the worst effects

tend to overlook the fall in real prices, of rubber in the 1970s and 1980s for instance, blaming their poor margins instead on increasing costs and inadequate productivity.

three years while Indonesia

Malaysia's commodity export

volume has stagnated at about .6m tonnes a year for the past

two of these crops - but prices for all three have collapsed simultaneously and there is no fourth, commercially viable, crop to turn to.

For years, Malaysia has been searching for another crop to provide a financial cushion in bad times. For a while fruit



Rubber tappers are among Malaysia'a most poorly paid workers

and Thailand have been catching up fast, with growth rates of 3.7 per cent and 6.5 per cent respectively. But Malaysia's estate yields are still highest in the region, and its cocoa yields are three times higher than those of its African competi-

One response to poor prices for rubber was a widespread shift to palm oil production throughout the 1980s. Margins are bigger for paim oil than for rubber but for each hectare oil palm requires twice as many workers. Unit labour costs are also higher because better-paid men are needed for the tough physical work of harvesting palm fruits. Rubber tapping is much less strenuous and women account for half the workforce, alongside old men and children under 16. The Government benefits from this commercial diversification programme, and therefore encourages it. It receives a 6 per cent tax on palm oil

exports, but less than 1 per cent on rubber. Estates have also begun turning rubber land over to Diversification has protected crops such as bananas and papayas were promoted, but their short storage life, costly freight, and small demand mades the idea unworkable. So the estates concentrated their resources on palm oil and cocoa, which were the most profitable until two years ago. Malaysian production of these crops have each risen ten-fold

6.05m tonnes, equivalent to two-thirds of world supply. Growth in output of the new crops is now beginning to run out of momentum, however, Even as rubber output stagnates, palm production this year could stay at the current level for the first time in years, one Government official pre-

in a decade. Last year's palm oil production was a record

Meanwhile, the commercial agricultural sector must wrestle with the problems of idle land, labour shortages, and a restless estate population numbering more than 220,000 that has become weary of entreaties to keep costs down while other industrial and commercial sectors see real income growth.

development of the primary commodities," concluded one study on the future of the industry. Planters put it differ-ently: Indonesia, they say, with its plentiful labour could "dethrone" Malaysia as the largest palm oil producer in "a few years." And it is already a close second in the rubber

export league.
The Malaysian Government, which this month has tried to alleviate the crisis by cutting rubber and palm oil export taxes, is no longer merely a regulator overseeing the welfare of a private industry. It is an active participant, and has since been since the 1970s, when it seized control of the biggest estates of Guthrie and Harrisons & Crosfield

Government ownership com-plicates things somewhat, for example in the wage dispute between the rubber tappers and the estates. By naming three Cabinet Ministers to set-tie the union claims, the Government invoked executive action on a commercial dispute which had political and economic stakes for it as well. Because of its controlling equity stakes in the major plantations, the dispute carried a union-versus-government political tone, something the Government could not afford

to ignore. Because the problems of labour, cost, and production in the estates are recurring, they complain that the solutions so far are piecemeal. At the heart of the crisis is a lumbering, antiquated century-old estate system. It is a legacy of colo-nial-style bonded labour that can no longer cope with the changing pace of social and economic demands.

An estate is a world to itself. There workers are quartered, their children, most of them semi-literate, grow up only to take up their parents' jobs. This system once guaranteed a labour supply on rubber estates. But the introduction of oil palm, with an 87 per cent growth in estate areas in the ten years to 1983, left out women and children as a labour supply. Some men pre-Such problems, "work fer oil palm harvesting because against the progress of the it pays better than tapping trees. This means a tendency to force families apart. The system tends to trap workers because housing and health care, albeit rudimentary, are provided. But it perpetuates poverty and tempts some to search for better alter-

natives, and to move out. The estate system has been worst in respect of wages, until now pegged to output and prices. This system applied only to the estate workers, not to their white collar colleagues. Apart from unfairness, production income raised questions of incentives. Output is only partially within control of a worker - in bad weather and in old, poor yielding trees out-put falls. And price, is com-pletely outside his control.

The system required workers to share, perhaps dispropor-tionately, not only the burden of price fluctuations but also indirectly the overall costs. The anomaly in this farming system became disheartening lectivised schemes started by the Government. The farmers who participated in these insisted on land ownership. Estates made little effort to provide better work incentives, more labour mobility or more flexibility. Instead they responded by importing work-ers from Indonesia and plead-ing high cost to deter higher

wage claims.
Partly because of these troubles, Malaysia abounds with stories of estate companies turning away from commercial agriculture. Common sights at the urban fringes are the grey and white concrete walls of single manufacturing plants, making light bulbs for example, surrounded by seas of green oil paim fronds. A recent announcement by the East Asiatic Company, an old plantation company, is also

typical. In a few years, it said, it would try to reduce propor-tion of plantation income in overall revenues from half of to a third. The group is turning to making gloves instead. Last year, Malaysia's com-

modity exports reached a his-toric milestone - it contributed to less than half of total

Turkish tobacco growers fume over low prices

By Jim Bodgener in Ankara

TURKEY'S TOBACCO growers are smoking with rage at the alleged reneging by the Government on a promise this year of higher subsidised prices. Anger has rumbled on since mass demonstrations on Monday near Izmir in the Aegean region, despite govern-ment attempts to mollify pro-

More than 48 demonstrators were still detained yesterday, facing possible sentences of up to three years for blocking pub-

lic highways and damaging the environment. The rate of increase in prices from the state tobacco and drinks monopoly Tekel, obliged to buy all domestic tobacco

output, ranges from 39 per cent to 59 per cent, depending on quality and region. The average price should be around TL14,300 (\$6) a kilogram rather than the TL11,300 fixed by the Government say the producers'associations. Inflation in the year to the end of January

was around 60 per cent The prices were not too low by world standards, according to Mr Ekrem Pakdemirli, the Finance and Customs Minister. On a recent visit to the US, buyers had not been convinced that the Turkish crop would be burned if they did not raise their price offers, he added. But even at the recently-increased, exports would be uncompetitive on world markets, according to Mr Esin

Aegean Tobacco Exporters' Association. A crop of around 260,000 tonnes is expected this year, of which about 100,000 tonnes will be exported. Domestic producers have been ignored by the Governimported foreign blends of cig-arettes, according to Professor Erdal Inonu, leader of the main

opposition Social Democratic

Populist Party. Roughly one in five Turks smokes a foreign

Foreign investors have lined up to pour more than \$200m into revamping giant but moththe 1950s. But they face a threatened ban on cigarette advertising and smoking in public places promoted by an all-party lobby in Parliament. Tobacco is the main income source of around 400,000 fami-

750,000 families country-wide.

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LONDON MARKETS

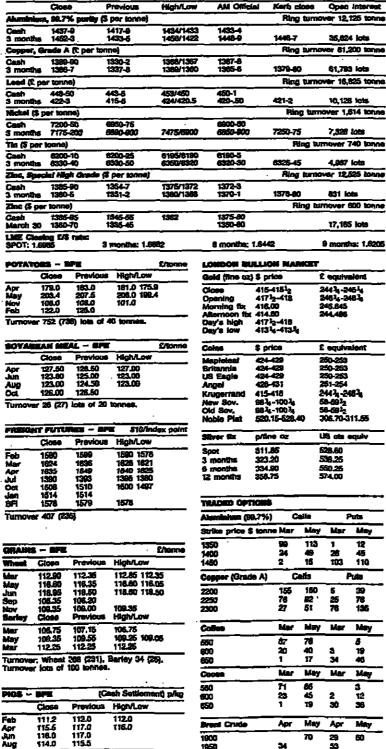
COFFEE prices rose strongly yesterday on fears that the strike by Brazillan sailors could disrupt supplies from the world's biggest producer. One dealer said speculators were "piling in on the back of Brazilian problems." But traders said the gains could be shortlived, with prices retreating sharply once the situation was seen to be easing. On the LME copper firmed on the back of Comex. The market is showing some concern over the recent decline in warehouse stocks on both sides of the Atlantic, although there has been no significant change in fundamentals to suggest the market has broken out of its bear trend, analysts said. Nickel prices continued this week's rise in volatile trading, although analysis noted that the premium for cash metal had narrowed \$67.50. SPOT MARKETS

Crude oil (per terrol FOB) + or -Dubei Grent Blend W.T.L (1 pm est) \$16,46-6,502 -,14 \$19,36-9,44z -,20 \$21,80-1,85z -,30 \$220-222 \$175-176 Premium Gesoline Ges Oli Heavy Fuel Oli Naphtha Petroleum Argus Estim \$194-196 + 01 -Gold (per troy oz) \$\\ \text{Silver (per troy oz) \$\\ \text{Pintioum (per troy oz)} \\ \text{Pintioum (per troy oz)} \\ \text{Pintioum (per troy oz)} 4.8 \$514.00 Aluminium (free starket) Copper (US Producer) +20 \$1435 1035g-108c 41.0c +0.5 +10 -0.24 -3 Zinc (US Prime Western) 62,Fc -0.46° -0.68° + 1.77° 106,420 Cattle (live weight)† Sheep (dead weight)† Pige (live weight)† 221.89p 91,67p

London daily sugar (rew) \$355.8x London daily sugar (white) \$430.5x Tale and Lyle export price \$325.0 4.0 4.0 Barley (English feed) Maize (US No. 3 yellow) £112.0 £127.5 Wheat (US Dark Northern) 2129 -.50 -.50 -1.0 Rubber (Mar)♥ Rubber (Apr)♥ Rubber (Apr)♥ 58.00p Pubber (KL RSS No 1 Mar) 230.0m Coconut oil (Philippines) \$389.52 Paim Oil (Malaysian) Copra (Philippines) \$275.Cw -10 -2 + ,90 £ a tonno uniesa otherwise stated, p-pencalig, c-centarito, r-imagiting, x-Feb/Mar, y-Mari/Apr, v-lan/Mar, w-Mar, x-Apr, 1Mest Commission average instructs prices. * change trans a week ago. \$\psi\$London physical market. \$\psi\$CiF Roberdam.

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Despite occasionally better trade
competition at wool sales in Australia and
other producing countries the proportion
being bought in by the various support
authorities, or simply left in growers hands,
nemains high. There was only a 55%
classance at lest week's Bedderd auction of
British wool, and the AWC is still buying
some 35% to 45% of the typical sale
othering. AWC stocie in Australia already
substantiatly exceeded the 2 million bale
mark. UK business remains patchy. Top
sucretions are 550 pence per to, for 64s



Brest Crude

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(Prices supplied by Amelgemeted Metal Trading) 17,165 lots 9 months: 1,6205 12 45 110 39 78 135 Apr May Apr May 29 53 70 60

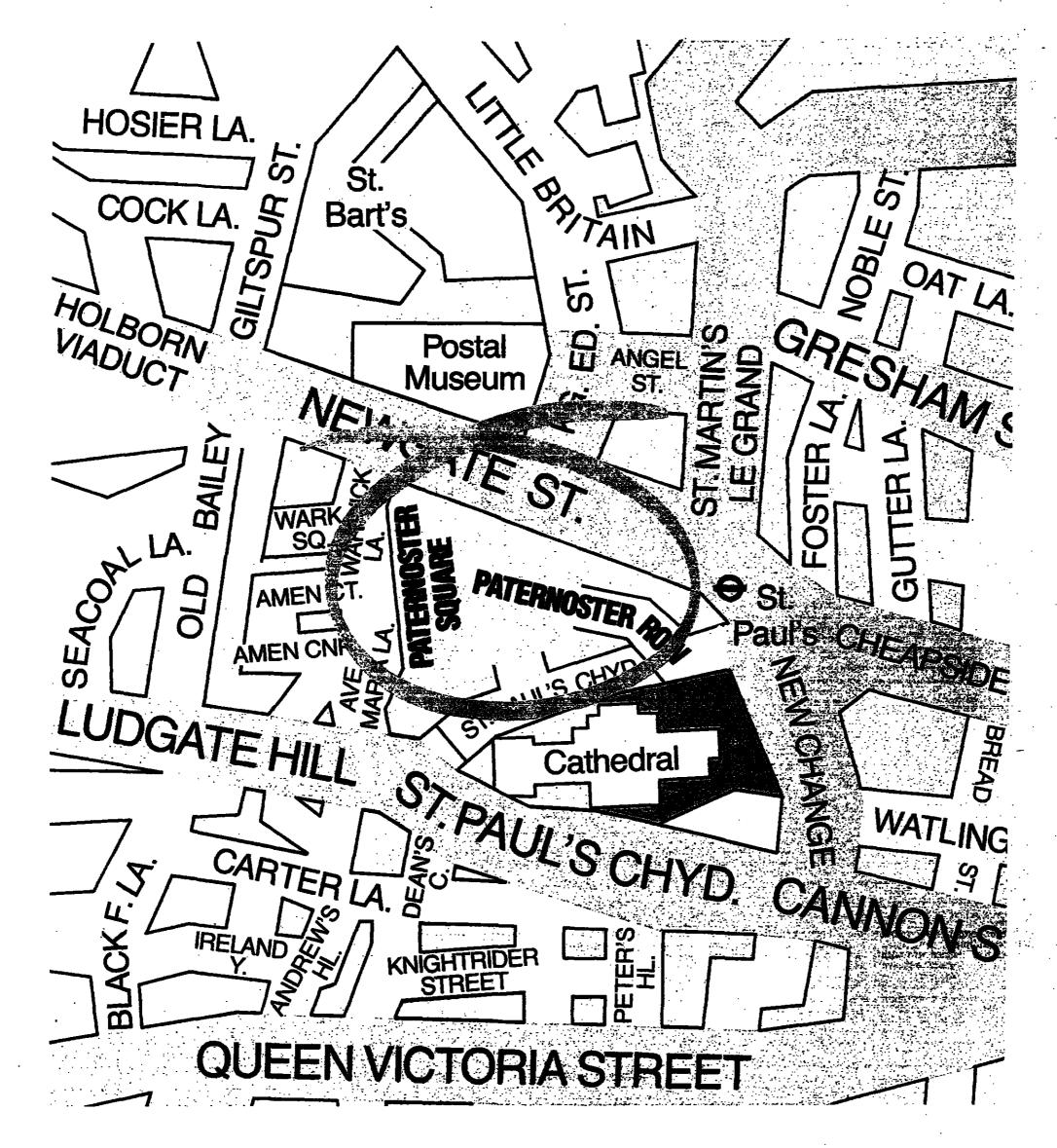
Ozguner, the chairman of the brand today, compared with **WORLD COMMODITIES PRICES** HEATHG CIL 42,000 US galle, cente/US galle **US MARKETS New York** GOLD 100 troy oz.; \$/troy oz. Close Previous High/Low 416.7 417.6 418.0 419.3 420.7 422.0 428.1 427.6 431.1 432.7 436.3 438.1 441.5 443.6 447.0 448.2 452.2 454.6 0 421.3 426.4 430.8 438.0 441.5 448.0 450.5 0 417.5 423.3 430.0 436.0 439.0 445.5 450.5 COCOA 10 tonner;\$/tonnes Ciose Previo PLATBRIM 50 troy oz. \$/troy oz. 527,4 522,5 532,0 528,0 540,0 534,0 SELVER 5,000 tray az; cents/tray az. Close Previous High/Low COFFEE "C" 37,500lbs; cents/lbs 531.5 533.0 537.2 541.5 549.7 558.3 570.0 573.4 582.1 590.3 531.4 533.3 537.5 541.8 550.0 568.6 570.3 573.7 582.3 590.5 Close Previous High/Low Close Previous High/Low 106.80 105.70 103.85 102.20 101.10 100.10 99.35 98.70 98.30 97.80 103,60 102,00 101,00 SUGAR WORLD "11" 112,000 lbg; cents/lbs 0 101.10 0 99.70 14.70 14.70 14.61 14.24 13.53 13.40 13.30 98.70 9 99.00 99.00 May Jul Oct Mar May Jul 14.56 14.45 14.03 13.33 13.16 13.10 14.81 14.70 14.27 13.55 CRUDE Oil (Light) 42,000 US galls \$/barrel Latest Previous High/Low 21.89 21.78 21.66 21.47 21.25 21.85 21.89 20.70 21.90 21.82 21.76 21.54 21.31 21.10 20.94 20.77 21.76 21.54 21.30 21.10 20.93 20.77 21,38 21,18 21,18 20,95 20,78 20,86 20,58 COTTON 50,000; cents/lbs \$9.05 70.30 70.50 67.10 68.95 68.43 69.67 69.90 66.85 65.58 69.50 70.68 70.95 67.30 66.15 67.50 68.20 ORANGE JUNCE 15,000 lbs: cents/lbs Close Previous High/Low REUTERS (Base: September 15 1931 = 100) 203.40 Feb 14 Feb 13 moth ago yr ago

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WE'RE KNOWN FOR OUR SQUARE DEALS.

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LONDON STOCK EXCHANGE

Mortgage rate rise upsets equities

AN ATTEMPT by the London stock market to follow Wall Street's lead in brushing aside any bearish implications of the Drezel Burnham Lambert failure was restrained yesterday by an increase in home loan lending rates by Abbey National one of Britain's largest building societies.

The equity market closed just below the important PT-SE 2.300 mark, well under its best levels as market strategists weighed up the implications for domestic inflation and for other domestic interest rates of the move by Abbey National to a basic mortgage rate of 15.4

London equities opened

Accoun	t Dealing	Dates
First Dealings; Jan 29	Feb 12	Feb 25
Feb 8	Feb 22	Mar 6
Last Dealings: Fab9	Feb 25	Mer 9
Appount Day: Feb 15	34gr 5	Mer 18
Tion time deals	igo saty luka kaosa daya e	pisco irten . ecfor

higher, cheered by Wall Sircet's resilience in the face of Drexel Burnham's filing under Chapter 11 of the US bankruptcy code. The Footsie 2,300 mark was quickly left behind and the Index was 17.4 ahead in early trading, before a lack of buyers took the top off

while not entirely unexpected. dealt a further blow to hopes of early reductions in domestic interest rates and to consumer shares, which are already suffering badly from the effects of UK bank base rates at 15 per cent. Mr Gwyn Hacche of James Capel, the London stockbroker, estimated that Abbey's move, if followed by the other building societies, would add 0.4 per cent to the Retail Price Index in March. The news came as London was waiting apprehensively to see if Wall Street would continue firm as further details of

the Drexel Burnham trading situation emerged. The Footsie

tive territory before rallying as the New York market made a slow but sound start to the The final reading showed the

FT-SE Index at 2,298.3, a gain of 5.1 on the day. Traders expressed satisfaction with the market's success in holding on to the lower end of its trading range. Seaq volume remained high at 465.2m shares, against 435.3m on Tuesday, but the total appeared to include a substantial proportion of interdealer business. Stock Exchange data shows that customer investment activity has remained low this week at under £800m daily.

The positive press comment that followed Reuters figures

on Tuesday helped the shares climb 6 to 1046p.

News that NatWest was

making a provision of £30m because of the Blue Arrow

effair failed to disturb the shares which closed 2 off at

335p on turnover of only 1.2m

shares. Barclays drifted back 4

to 550p on 1.6m and Midland 4

to 364p. Lloyds moved against the market, adding 5 at 285p after a line of stock overhang-

ing the market was said to have been absorbed.

surrounded by takeover specu-lation, rose 11 to 604p on 1.2m.

Abbey National were a steady

market, closing at 180p after increasing the mortgage rate. Bank of Ireland dropped 8 to

259p with dealers saying the bank was exposed to the

Drexel Burnham Lambert

Switching out of Prudential,

down 4 at 211p amid worries

about a subsidiary's potential exposure to the junk bond mar-

ket, and into Lloyds Abbey,

saw the latter harden to 316p. Sun Life, where UAP has a 25

per cent stake, dropped 28 to

1360p, after announcing that it

did not plan a a major acquisi-

tion for three years.

British Steel were a healthy market, the shares gaining 5 to 138p. Some 11m shares were

traded with leading house

James Capel said to have done

most of the buying. Other

investors eyeing the problems at Drexel Burnham Lambert

also moved into British Steel

on the belief that the compa-

ny's high yield made it one of

Capel which issued a note on

the European Steel sector said: "There has been destocking in

the European market and indi-

cations are it will come to an end fairly shortly. The state of

underlying demand remains

strong throughout most of

Europe and, for British Steel in

ments have assisted prices."
British Aerospace gave up 4

to 526p with the strike action

in support of a shorter working

week at a number of the the

company's plants causing the

shares to weaken. Siebe were one of the big ris-

ers among industrial stocks. The shares added 12 to 425p following a bullish outcome to

an analysts visit to the com-pany on Tuesday. One analyst said, "the growing importance in the sales mix of the Japa-nese and West German mar-kets more than make good the

sales to the white goods and automotive industry which have recently been in the spot-

English China Clays contin-

Mr Ewan Fraser at James

the better defensive stocks.

Standard Chartered, still

special situations in yesterday's market, including a rerun of persistent rumours that a large bid is pending, perhaps in the property sector. Gestetner, the office equipment group, confirmed yesterday that it is in talks over an acquisition, but dealers believe that any rights issue involved would be relatively small.

Insurance stocks eased after Union Assurances de Paris (UAP) said it was not planning major acquisitions for three years - UK analysts have pinpointed UAP as a possible bidder for Sun Life, the British insurer,in which it already has a 25 per cent stake.

their estimates, and renewed

selling pressure put the shares down 16 more to 370p.

	F	NAN	CIAL	TIME	S ST	OCK	INDIC	ES		
	Feb 14	Feb 13	Feb 12	Feb 8	Feb 8	Year	198 High	5/90 Low	Since Co High	Low
Government Seco	81.38	81.11	80.89	81.75	81.26	88.90	89.29 (8/2/89)	80.80 (7/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.24	90.98	91.34	91.35	91.48	97.85	99.58 (15/3/89)	90.65 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1822.4	1818.1	1810.6	1830.7	1845.3	1877.A	2008.6 (5/9/89)	1447,8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Wines	268.3	328.8	344.2	367.7	372.5	158.6	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2298.3	2293.2	2286.9	2313.6	2331.0	2047.5	2463.7 (3/1/90)	1782.8 (3/1/89)	2463,7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield Earning Yld %(full) P/E Ratio(Net)(\$)	4,73 11.43 10.59	4.73 11.44 10.58	4.75 11.48 10.54	4.70 11.35 10.66	4.86 11.28 10.75	4.34 10.83 11.22	Ordinar		id mines 125	ixed int. 1928, 9/56. Basis 1000
SEAO Bargains(5pm) Equity Turnover(5m)	24,198	24,025 774.41	24,580 858.44	28,968 774,48	25,038 761,29	25,185 1408.23	GII		ED AC	TIVITY 17 Feb 12
Equity Bargainst Shares Traded (MI)† Ordinary Share Index,	Lauriu et	24,156 355.8	25,200 377.5 Dav's High	29,425 413.2	24,713 369.8	31,400 517,3 Low 1821	6_0	ey average		5.2 86.2 3.3 88.6
	11 a.m. 1832.2	12 p.m. 1826.6	1 p.m. 1822.9	2 p.m. 1822.4	3 p.m. 1823.1	4 p.n	BE /	ees & Overs T indices of	daily Equit	eg intra-marke: r, Calculation of y Bargains and lay averages of
FT-SE, Hourly change			Day's High	2310.6	Day's	Low 2297	e Equit	Bergeins (end Equity \	Value, was dis- values for July
Open 10 a.m. 2304.3	11 a.m. 2316.5	12 p.m. 2302.5	1 p.m. 2297.5	2 p.m. 2298.1	3 p.m. 2299.3		L 28 av	ellable on n		

TRADING VOLUME IN MAJOR STOCKS | Volume County Day's Da Volume Classing Day's 190's Price chance

Flemings Research became the latest securities house to cut full-year profit expecta-tions, moving down from the previous forecast of £165m to £140m. Mr David Taylor at Flemings believes profits will be better in the second-half of the year "but not good enough to reach the company's target of unchanged earnings. BET were a penny betier at 238p after talk subsided that it planned to acquire the UK side of Blue Arrow. An appreciation

at Flemings Research on Tues-day boosted Norcros, the shares adding 9 to 200p with Flemings reported to have been an active shopper. Gestetner, the office equipment group, bounced 6 to 213p when the company admitted it

was in talks about an acquisition but would not be making a rights issue to finance the purchase. Instead it would rely on AFP Group, the company's main shareholder, paying £42.5m to turn convertible loan stock into shares.

Dalgety were actively traded

as Henderson Crosthwaite remained positive towards the stock Mr David Lang of Hendersons said Dalgety would continue to make steady prog-ress, with growth in North America and Europe more than offsetting lower profits from property development in Australia. Dalgety finished 3 up at 381p on 3.8m.

raise about £1.6m.

both Next and Sears. Next

under 3m shares changed

Marketmakers and investors decided that USM-quoted GC Flooring was to become a vehicle for expansion after the company announced new board appointments and a rights issue. The shares

jumped from 28p to 58p before settling at 53p. Mr Roy Sim-mons, the new chief executive, hands. Dealers spoke of famillar vague takeover talk in was formerly chief operating A buy note from Nomura officer of Thomson T-Line and

together with the continuing managing director of Nokia (UK), part of one of Finland's largest companies. There was international roadshows helped Racal Electronics edge up to 224p and Racal Telecom put on 6 to 387p.
Unitech added 3 at 389p after news that Dr Tito Tettamanti, steady demand for the shares with one dealer estimating turnover at 250,000. The 28p a share rights issue is intended the Swiss-Italian arbitrageur, has increased his stake in the Activity in the traded options market underpinned company to 19.63 per cent. Specialists said Dr Tettamanti had

paid his highest ever price for the latest block of shares, 1.67m; "Everyone has been climbed 5 to 100p as a single buyer bought heavily into call options in the stock. Sears waiting for him to buy more, at firmed a penny to 104%p as 5.2m shares changed hands. least it's a prop for the share price," said one analyst. Sears also topped the activity list in the traded options mar-STC, due to announce preliminary figures on February 27, advanced 3 more to 265p ket where contracts for just

with dealers picking up hints

of imminent good news regard ing ICL, its computer subsid-

The property sector was helped by vague talk that a large bid was in the offing. Priest Marians added 22 to 175p after an asset disposal. Anglesey Mining, listed on the third market, jumped 15 to 175p on news that Kleinwort Benson had placed stock to the value of £1.5m with institutional investors at 154p a share. Anglesey will apply the funds to the continued underground development of the Parys Mountain base metal

Other Market statistics. including the FT-Actuaries share index, London Traded Options, and recent issues Page 22.

Activity in water stocks

Demand for the water stocks built up as the session wore on yesterday, with dealers and analysts talking of possible further stake-building throughout the sector. The hints emerged as share prices moved sharply higher in good volumes, follow-ing up Tuesday's gains. The interest was evenly spread, but turnover tended to be concentrated in a handful of stocks.

Severn Trent attracted turnover of 3.8m shares with the price closing 3 higher at 146p. Dealers said there was more than a suspicion of stakebuilding in the stock where Lyon-naise des Eaux revealed a 2 per cent stake last December. The feeling was that Lyonnaise was not the big buyer in Severn yesterday. Lyonnaise also has a 9 per cent stake in Anglian Water and 6 per cent stake of

Specialists said that the stakes revealed in December by Lyonnaise and the substan-tial holdings built up in water stocks by Mercury Asset Management "are by no means the end of the stakebuilding in the sector." One said that the series of Section 212 notices, by which nominee names have to be identified, together with the first comprehensive lists of shareholders in the recentlyprivatised water companies, should reveal some interesting information when they are made public, "probably next

Another strong performer was Thames, the only water stock in the FT-SE 100-share index, which rose 5% to 158%p on 3.3m. Yorkshire were 5 up at 185p on 399,000, Auglian added 3% at 173p, on 1.6m, and ON 4 13 475,000. Southern retained its lead as the best performing water stock, closing 4 firmer at 158p. The Package settled 37 up at £1655, after £1660.

Asda speculation

Reports that the Canadian investors, the Belzberg brothers, might be considering a bid for Asda, led to a partial recovery of recent losses.
According to the report, the
Belzbergs, who hold a relatively modest stake in Asda,
are promoting Mr David
Fisher, formerly of Gateway, to replace Mr John Hardman, the current chairman and chief

executive. However, the opinion of most Asda watchers is that the climate has turned against buy-outs with junk bonds, the likely source of finance for many potential bidders. But

one analyst said the high yield of UK food retailing could yet tempt a European or US group.
But some dealers believed that the Belzbergs were attempting to get Asda's share price up and thus entice a third party to make a bid. "It would take a bold person to bid for Arda et the party to make a bid." for Asda at the moment," one trader said. Indeed, there were said to be many willing sellers if the share price moves above 115p. Asda closed 4 up at 109p,

KIO Moat deal

The passage of several large blocks of shares in Queens' Moat Houses during late morning set tongues wagging. The company later confirmed that a stake held by the Kuwait Investment Office had been sold, and dealers seemed convinced that a line of either 10m or 12m shares had been placed by BZW at 101p.

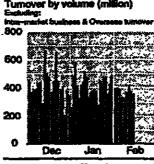
The final turnover figure of 26m shares indicated that the higher number was more likely Seaq volume figures often count the shares traded twice, once each for the sale and the purchase. Queen's Moat initially fell on the news, but bounced at 101p to close only % easier on the day at 103p. Analysts confessed their sur-prise at the KIO disposal. One said that it threw into doubt KIO's commitment to its 12 per cent in another hotel company, Mount Charlotte.

Guinness had a strong day as Hennessy, the cognac unit of French luxury goods group LVMH, estimated its full year profits for 1989 at FFr754m (£78,1m), a 45 per cent increase on the previous year. Guinness has a 24 per cent stake in LVMH and its shares added 7 at 652p. The first publication from Mr Nigel Popham, a new analyst at brokers Teather & Greenwood, was a buy

note on Guinness. News that Perrier was withdrawing its bottled mineral distributor HP Bulmer. The shares stages a late decline to 163p but rallied just before the close to 169p, still down 9 on the day.

Hartwell, currently the subject of a £151.3m bid from Oakhill, the UK vehicle of the Jameel Group, the Saudi Arabian trading concern, added 4 to 148p on talk that Oakhill would soon make a higher offer. Some 173,000 shares were traded, a figure said to be high by Hartwell standards. Eurotunnel fell 34 to 584p

FT-A All-Share Index 1200 🛱 1150 Equity Shares Traded



amid vague talk of management changes and problems over refinancing. After trading ended, it was revealed that the banks backing the building of the Channel tunnel had frozen any further payments to the project until the two sides reach agreement on management changes proposed at

British Airways perked up on news of third quarter prof-its at £54m after aircraft sales are stripped out. But stories of US brokers' downgradings accompanied selling from New York and pulled the shares back from their high of 203p to 196p, down 2 on the day. Turnover was a busy 5.4m shares. BP, which is scheduled to report fourth quarter figures today, put on 4 to 343p on good turnover of 8.7m shares after a bullish article in the US Press.

Enterprise Oil suffered from some determined selling and closed 9 off at 651p as hints of a the purchases of the 20 per cent stake in the Huffington liquefied natural gas refinery in Indonesia along with Uno-cal's Norwegian interests. Also in the background were stories

that ICI was about to place its 25 per cent stake. Good demand for Rank Organisation nil-paid shares supported the fully-paid stock. Some 1.3m nil-paid changed hands as the price climbed 5 to 71p premium while the fullypaid rose 4 to 772p on turnover of 647,000.

NEW HIGHS AND LOWS FOR 1989/90

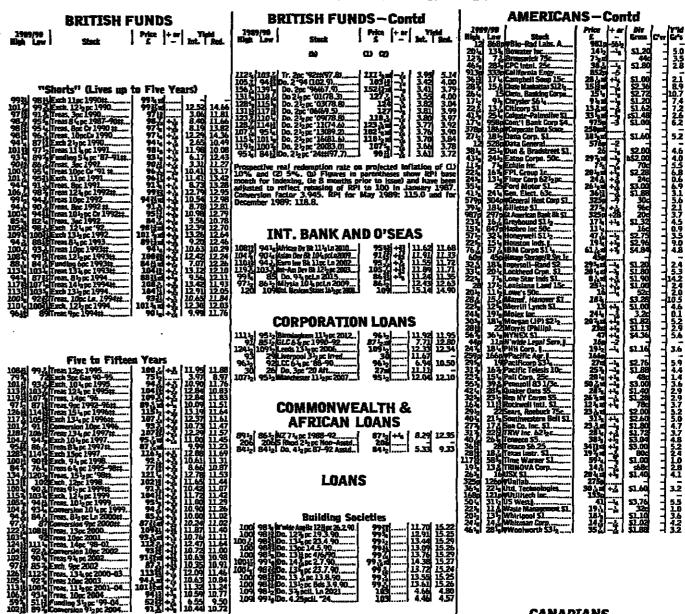
NEW HIGHS (25).
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BRITISH FUNDS (3) CANADIANS (2) BANKS
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(3) BRUSTBLALS (2) GC FOOTING.
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COMERCIAN TRADERS (1) THEND MARGET (1). SEW LOWS (72). AMERICANS (2) CANADIANS (3) BANKS

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"Shorts" (Lives up to Five Years)

ued the previous day's fall which stemmed from the warning that profits will be lower this year. Consequently, several analysts have downgraded

LONDON SHARE SERVICE



APPOINTMENTS New chief at to deputy managing director. He continues as finance **TSB Bank**

From February 19 Mr Charles Love, managing director, banking services, at TSB retail banking division, London, becomes chief executive, TSB BANK SCOTLAND, and director, northern region, succeeding Mr Eric Wilson who is retiring for health reasons. Mr Love will be succeeded by Mr Hamish Paton, chief executive, United Dominions Trust Mr Hamish will be responsible for TSB Trustcard, Mortgage Express, TSB Property Services and

Scotland

■ LONDON ECONOMICS has appointed Mr Alan Cropper as its executive director. He was group finance director of Jaques Vert. Mr Nicholas Owen has joined as a managing consultant. He was deputy head of the Prime Minister's policy unit from 1983 to 1986, and more recently was an assistant secretary at the Ministry of Defence.

■ Mr Dick Watts has been appointed managing director of DELTA CROMPTON CABLES from the end of June, He was managing director of the general cables division and succeeds Mr Ron Ludwick who becomes non-executive chairman. On the same date Mr Peter Bourne is promoted

Mr J. Niven Duncan ha joined the OLAYAN GROUP as a non-executive director of Olayan Europe. He retired on December 31 as vice chairman of Sedgwick Group and is currently a board member of Eastern Electricity.

■ FORGED ROLLS (UK), part of Sheffield Forgemasters Group, has appointed Dr Peter Carless as managing director. He was works director at sister company Midland Rollmakers. **Mr** Derek Huish, an actuary

and stockbroker, has been appointed head of investment research, and fund manager, at RATHBONE BROS & CO.

Building Employers Confederation director-general

Mr John Owens becomes director-general of the BUILDING EMPLOYERS CONFEDERATION from April 2. He is deputy director general of the Confederation of British Industry, where he is responsible for membership, regional and information directorates, and for helping British companies prepare for the single European market. (See also ORSERVER page 24) PRINCESS AIR is appointing Mr Peter Drew to the board as deputy chairman in August.

He is currently managing director of Select Holidays and chairman of Channel Islands Travel Services (OSL) and Travel Services (IOM).

Mr Alan Fletcher has been appointed group chief executive of JAMES NEILL HOLDINGS, Sheffield-based hand and garden tool manufacturer. He takes over from Mr Peter Bullock who is

leaving the company. Mr Fletcher was previously chief perating officer Swedish Match and before that the Wilkinson Sword Group.

BEAR, STEARNS & CO INC. New York, has appointed Mr Joseph B. King and Mr Michael J. Wellman as managing directors in its London office. Mr King was executive director at Kidder Peabody International. London, and Mr Wellman was director of investment banking at J. Henry Schroder Wagg.

■ Mr J.R. Harris, formerly marketing director, British Airways, is to become chairman of THE PLIMSOLL LINE, a UK regional airline group, on April 1. He succeeds Mr Charles Stuart who remains chairman, Brymon Airways and Plymouth City Airport. Mr Jorn Eriksen becomes managing director of TPL, remaining managing director of BEA.

■ QUILTER GOODISON CO. private client and fund management arm of Commercial Union Assurance Co, has appointed Mr James Sandilands as assistant managing director. He was divisional managing director, fund management, Credit Suisse Buckmaster & Moore.

■ DAVID S. SMITH (HOLDINGS) has appointed Mr Michael Green as a director. He adds St Regis Packaging to his responsibilities for Corrugated Products, British Sisalkraft. and David S. Smith Plastics.

FMM GROUP, part of Commercial Union Assurance, has appointed Mr Ian Hare to the new post of general manager FMM UK , and a director of Fleet Motor Management, FMM Fleet Consultants and FMM Computer Consultants.

m NOVELL, Bracknell, has promoted Mr Ben Smith, sales manager, to sales director.

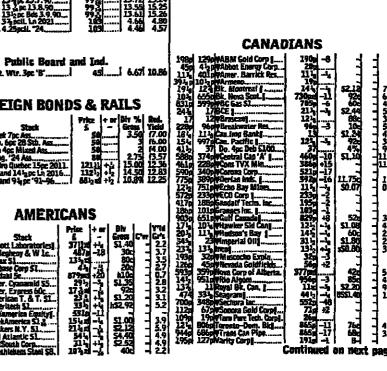
Mr David Storey has been

appointed managing director of BARCLAYS COMMERCIAL SERVICES, a wholly-owned anbsidiary of Barclays Bank. He was deputy director, UK corporate Barciays Bank. corporate services, and replaces Mr Bernard Jenkins who has retired.

Over Fifteen Years 900 corporation 19 pc 2005...
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110 litros 12 b pc 2003-05...
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FINANCIAL TIMES THURSDAY FEBRUARY 15 1990 Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help deak on 01-925-2128 FT UNIT TRUST INFORMATION SERVICE Link Comm. IN Other + or Yield Commit Price Price - Gris EFM Unit Tet Mayer Ltd (1400)H Museum Ltd (1400)F | Lordon EC24 1FD | 01-528,6070 | 1916 9156 9154 Ltd (1917) | 1915 1015 | 1915 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | 1917 | Spal Unit Trest Magnet Ltd (1600)F Previdence Capitol Fd Mgrs Ltd (1000)H Equity & Law Unit Tst Mnors (1200)H Gitsi Fad Int Inc. 5 | 77.59 | 61.65 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 Prevident Method Unit 7st Mgrs Ltd (0905)# destial Heliara Unit Tele Lid (1445)H 9 Hord Hil, Mord, Essex (51 20). 01-478 3377 Heliara Liet, he 0000 01,0345 Voit Tst Mingt Ltd (1535)F 7 Devombire Sq. Landon EC2M 4HU 26669 6669 684160199.17

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and D-Mark subdued

CURRENCIES traded quietly yesterday, lacking fresh facto show an improvement A survey by Money Market Services points to a deficit of about \$9bn, compared with tors. The market awaited further news on German reunification and the US trade figures on Friday. Mr Karl Otto Pöhl, president of the Bundesbank, attempted to reassure the \$10.5bn in November. Fears surrounding Drexel Burnham Lambert were already well discounted in the market, and financial markets after the news that the company has recent sharp fall in West German Government bonds. He filed for bankruptcy had no real impact. However, doubts about the health of the other said: "We are not ready to finance reunification by print-ing money", and added that fears about inflation are not traders on New York's financial markets, as a result of the Drexel affair, overhung the doljustified. Mr Pöhl noted that lar and dragged it lower. At the London close the dol-lar had declined to DM1.6715 unification will take time, and to avoid the risk of inflation the Bundesbank should mainfrom DM1.6765; to Y144.25 from tain a tight monetary policy.

The D-Mark held steady. Y144.35; to SFr1.4920 from SFr1.4965; and to FFr5.6850 below the Italian lira and Spanfrom FFr5.7000. The dollar's index eased to 67.0 from 67.1.

High London interest rates continued to underpin sterling, but the currency showed little overall change. The pound's ish peseta, but towards the top of the European Monetary Sys-tem. The D-Mark was fixed at L743.08 in Milan, virtually unchanged from Tuesday's London close, and finished in London last night slightly weaker at L742.75. The French index closed unchanged at 89.4. Sterling rose 55 points to franc remained one of the weaker EMS currencies and lost ground to the D-Mark, but there was no sign of Bank of

The US trade deficit for December is generally expected

France intervention. The D-Mark rose to FF13.4010 from

FFr3.4000 at the London close, and was fixed in Paris at

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Feb.14	Latest	Close				
£ Spot 1 month 3 months 12 months	1.6915-1.6925 0.87-0.85pm 2.72-2.69pm 9.40-9.30pm	1.6910 - 1.6920 0.85-0.84pm 2.65-2.63pm 9.50-9.40pm				
Forward premions and discounts apply to the US dollar						
STERLING INDEX						
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CURRENCY RATES						
Feb.14	Bank rate %	Special* Drawing Rights	European † Currency Unit			
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Feb.14	Bank of England ladex	Morgan ^{er} Guaranty Changes %			
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l 982 = 100. Bank of England Index (Base Average 1982 = 100. Bank of England Index (Base Average 1985 = 1001** Extent are included.

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U.A.E. 6.2110 - 6.2165 | 3.6720 - 3.6730

MONEY MARKETS

London rates steady

INTEREST RATES finished virtually unchanged in London yesterday with three-month interbank steady at 15% 15% per cent. News that Abbey National had raised its rate for UK home loans by 0.9 per cent to 15.4 per cent increased inflationary fears. A general rise in mortgage rates is expected, but is unlikely to alter the prospects for bank base rates.

UK clearing bank base lending rate 15 per cent from October 5

Higher mortgage rates will push the UK retzil price index up in the short term.

This led to a weakening of short sterling futures on Liffe. In early trading short sterling was buoyed by the strong performance of the pound against the dollar and D-Mark. June delivery opened higher at 85.35, but then fell back to close at the day's low of 85.23, on the Abbey National move, against 85.31 on Tuesday.

Credit conditions in London continued to improve. The Bank of England initially forecast a small day-to-day shortage of £100m, but revised this to £150m at noon, and to £200m in the afternoon. Total help of £69m was given.

The authorities did not lunch, but in the afternoon bought 244m bills outright, by way of £10m Treasury bills in band 2 at 14% per cent and £34m bank bills in band 2 at 14% per cent. Late assistance of around £25m was also

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £131m, with a rise in the note circulation absorbing £120m, and bank balances below target £145m. These outweighed Exchequer transactions adding £290m to

liquidity.
In Frankfurt dealers hoping for an allocation of extra funds, at this week's securities were disappointed. The Bundesbank accepted bids of DM10bn for 28-day funds, and of DM6.5bn for 63-day money. This total of DM16.5bn failed to fully offset DM17.8bn draining from the banking system as two earlier pacts expired.

Speculation about higher interest rates was reflected in the rates paid at the tender, although the Bundesbank is not expected to raise official rates at today's council

Banks paid 7.80-8.10 per cent for the 28-day agreement, compared with 7.70 to 7.95 at the previous tender. Rates of 7.95 to 8.25 per cent were paid operate in the market before for 63-day funds, against 7.70 to 8.00 previously.

\$1.6965. It also improved to Y244.75 from Y244.00 and to FFr9.6450 from FFr9.6375, but was unchanged at DM2.8350 and at SFr2.5300. The South African financial

rand remained volatile, as the Government in Pretoria challenged the economic policies of the African National Congress. Mr Gerrit Viljoen, Constitu-tional Development Minister, said the Government would go all out to expose the proven failure of these economic poli-cies. He was referring to the ANC's proposals to nationalise sectors of the South African economy. President F.W. de Klerk commented that the crumbling of the "Communist Block" had exposed the bank-ruptcy of policies shared by the

In London the dollar rose to R3.57 from R3.43 against the financial rand, reflecting nervousness about the future of the South African economy.

EURO-CURRENCY INTEREST RATES							
Feb 14	Short. term	7 Days notice	Goe Month	Three Months	Stx Months	Ome Year	
terling S Ociliar an Dollar an Dollar an Dollar an Dollar de Colliar an Dollar de Colliar an Dollar de Colliar	44-44 82-62 9-84-7-94 9-84-7-94 9-84-7-94 9-64-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9	144-144 81-81- 123-124 94-88 94-88 8-74 104-104 104-104 104-104 124-124 84-84	154-15 84-84 12-12-12-13-13-12-12-13-13-13-13-13-13-13-13-13-13-13-13-13-	154-154 83-84 123-124 93-91 84-84 113-124 103-105 103-105 103-124 103-105 103-124 103-105 103-124 84-84	154-154 84-84 124-124 93-91 93-91 93-91 13-1124 13-1124 14-125 14-125 12-125 12-125 12-125 12-125	154-154 83-84 124-114 94-94 94-94 114-114 114-114 114-104 114-104 114-104 124-124 84-84	
Ling term Eurodollars: two years 82-84, per cent; three years 9-87, per cent; four years 92-88; per cent; (her ard 92-92, per cent; others, two days' notice.							

59 <u>2</u> -92 per c	ent sombasi. She	ert term rates are call for	US Dollars and Japan	ese Yen; others, two	day notice
POUND	SPOT-	FORWARD	AGAINST	THE PO	UND
	-		- 1 41		

POUND SPUT- FORWARD AGAINST THE POUND								
Feb.14	Day's spread	Close	Cae month	% pa	Three months	% D.J.		
is arada ietherlands, ietherlan	1.6405 - 1.6770 2.0345 - 2.0465 31.84 - 3.204 99.10 - 59.40 10.92 - 10.97 1.0670 - 1.0750 2.824 - 2.844 2.99-55 - 251.00 102.25 - 181.50 2.102 - 211.04 10.92 - 10.964 9.422 - 9.664 10.354 - 10.39	1.6960 - 1.6970 2.0460 - 2.0470 3.19 - 3.20 59.25 - 59.35 10.934 - 1.0944 1.10695 - 1.0765 2.054 - 2.053 2.054 - 2.054 10.755 - 1.076 9.64 - 9.65 10.383 - 10.392 2444 - 2454	0.87-0.85cpm 0.39-0.33cpm 12-1-15cpm 21-1-15cpm 22-2-16cppm 0.25-0.25cpm 9-25-0.05 19-11cpm 3-2-15cpm 31-2-2-15cpm 31-2-2-15cpm 31-2-2-15cpm	6.08 2.08 5.40 4.05 2.54 3.08 6.082 0.98 1.42 3.35 3.73 N/A 7.66	2.67-2.64pm 1.12-1.01pm 43-44-pm 63-59pm 63-57-pm 69-2.57-pm 41-43-pm 115-1560s 115-1560s 10-8pm 91-91-pm 91-91-pm N/A 42-43-pm	6.26 5.56 4.11 2.33 6.217 0.271 3.86 17.5		
ostria witzerland . CU	19.93 - 20.00 2.521 ₂ - 2.531 ₄ 1.3900 - 1.3915	19.94 - 19.98 2.52% - 2.53% 1.3900 - 1.3910	101-94 gropm 11-1cpm 0.42-0.39pm	6.09 5.04 3.50	293-27 pm 34-34-pm 1.22-1.17pm	5.79 5.04 3.44		
ommerciai : 9.25-59.35	commercial cates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 2.25-97.35 Sts-enouth forward dollar 5.25-5.20pm, 12 months 9.60-9.50pm							

DOLL	AR SPOT-	FORWAR	D AGAIN	IST '	THE DOL	LAR
Feb.14	Day's spread	Clase	Que month	% p.a.	Three months	% pa
K† eland† enada	1,6905 - 1,6970 1,5795 - 1,5875	1.6960 - 1.6970 1.5840 - 1.5850	0.87-0.85cpm 0.41-0.36cpm	6.08 2.92	2.67-2.64pm 1.45-1.35pm 1.26-1.30ds	6.26 3.53
etherlands . elgium	34.85 - 35.05	1.2065 - 1.2075 1.8825 - 1.8835 34.90 - 35.00	0.39-0.41cm; 0.09-0.11cds 3.00-9.00cms	-3.98 -0.64 -2.06	0.36-0.39dls 14.00-24.00dls	-425 -080 -218
eriotark I. Germany ortonal	6.43% - 6.47% 1.6675 - 1.6780 147.35 - 147.85	6.44½ - 6.45 1.6710 - 1.6720 147.40 - 147.50	1.85-2.05credis 0.02pm-parphpm 80-90edis	-3.60 0.07 -6.48	6.25-6.75ds 0.11-0.14dis 305-330dis	-4.00 -0.30 -8.06
alp aly	107.90 - 108.60 1240 - 12464 6.45 - 6.464	108.10 - 108.20 12414 - 12414 6.454 - 6.464	44-49cdis 3.00-5.00lkedis 1.30-1.95cmils	-516 -387	163-172dis 13.00-15.00dis 4.60-5.00dis	-629 -451 -297
rana Tales	5.67½ - 5.70½ N/A - N/A	5.684 - 5.684 6.124 - 6.124	106-111cds N/A	-245 -229 NA 141	3.80-3.90ds N/A 0.38-0.36dm	-2.71 N/A
apau estria mitaeriano) , CU	144.05 - 144.60 11.744 - 11.814 1.4890 - 1.4975	144.20 - 144.30 11.76½ - 11.77 1.4915 - 1.4925	0.15-0.16ypm 0.30pm-0.10gds 0.11-0.14cds	-1.01 -1.01	0.50-1.70ds 0.41-0.46ds	102 437 117
W	12155-12215	12185 - 12195	0.27-0.25com	2.56	0.89-0.86om	2.87

Austria 11.74% Seitzerfand 1.4890	-11814 117 -14975 14	715-14925	0.18-0.16/pm 30mm-0.10gdis 0.11-0.14cdis 0.27-0.25cpm	0.10 0.50-1 -1.01 0.41-0 2.56 0.89-0	.70ds -0			
Constructed rates taken towards the end of London trading 1 UK, Ireland and ECU are quoted in US corrency. Fore premiums and discounts apply to the US deliter and not to the individual corrency. Belgium rate is for consert frames. Pleancial fram: 34, 90-35.00.								
EMS I	UROPE	AN CUR	RENCY	UNIT RA	TES			
1	Exi central rates	Certency amounts against Eco Feb.14	% change from central rate	% change adjusted for divergence	Divergence limit %			
Beiglan Franc Danish Kroge	42.1679 7.79845	42.6371 7.87343	+1.11 +0.96	+1.11 +0.96	±1.5508 ±1.6453			

erman D-Mark	2,04446	2.03936 1	-0.25	I -025	
reach Franc	6.85684	6.93846	+1.19	+1.19	
ntch Gerider	2.30358	2,29840	-0.22	-0.22	
Ist Pant	0.763159	0.769561	+0.84	+0.84	
allan Lira	1529.70	1515.95	-0.90	-0.90	
nanish Peseta	132.889	132.016	-0.66	i -0.66	

French Franc 9.35689 Dutch Gelider 2.30368 Irish Pant 0.763159 Italian Lira 1529.70 Spanish Pesela 132.889		0.73940 +1.19 2.29940 +0.22 0.769561 +0.84 1515.95 -0.90 132.016 -0.66			-0.22 +0.84 -0.90 -0.66		±1.5272 ±1.5489 ±1.5162 ±4.2705			
Changes are for Ecn, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.										
	EXCHANGE CROSS RATES									
Feb.14	3	\$	DM	Yes	F Fr.	S Fr.	# Fl.	Lira	C\$	B Fr.

				,		J		ŀ		•	
£ \$	1 0.589	1.697 1	2.835 1.671	244.8 144.3	9.645 5.684	2.530 1.491	3.195 1.883	2106 1241	2.047 1.206	59.30 34,94	
 AEM	0.353 4.085	0.599 6.932	jr28	86.35 1000.	3.402 39.40	0.892 10.33	1127	742,9 8603	0.722 8.362	20.92 242.2	•
F Fr. S Ft.	1.037 0.395	1.799 0.671	2.939 1.121	253.8 %.76	10 3.812	2.623 1	1783 1783 1783	2184 832.4	2.122 0.809	61.48 23.44	•
H FL Lika	0.313 0.475	0.531 0.806	0.887 1.346	76.62 116.2	3.019 4.580	0.792 1.201	1 1517	659.2 1000,	0.641 0.972	18.56 28.16	
CS	A 490	A 920	1 204	1104	4772	1 224	1 641	1020	,	20 07	I

Yes per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.										
C S B Fr.	0.489 1.686	0.829 2.862	1.385 4.781	119.6 412.8	4,712 16.26	1.236 4.266	1561 5388	3		
	U.473	U.000	ישיביו	110.2	7.200	ושו	1.714			

3551 3.452 100.⁷ FT LONDON INTERBANK FIXING Q1.00 a.m. Feb.14) 3 months US dollars 6 months US Dollars offer 8½

The fixing rates are the arithmetic means rounded to the scarest one-stateenth, of the bid and offered rates for \$1.0m opports to the market by fire reference books at 11.00 a.m. cach working day. The banks are National Westernisster Bank, Bank of Tolyn, Deutsche Bank, Banque National de Paris and Morgan Garranty Trist.

	N	IONE?	/ RAT	ES		
NEW YORK			Treasury	Bills and I	Bonds	
(Lunchtime) Prime rate Broker foan rate Fed funds Fed funds at intervention	. 10 1 91, 9	lee moeth Veo moeth I've esoeth I've year I'vo year		7.88 Four y 7.84 Five y 7.99 Seven	725	
Fd.14	(heralyh)	Ocie Morth	Two Months	Three Months	Six Months	Londard Interestion
Frendert. Paris Zorid Ansterdam. Totyo Milas Brasels Dublin	7.75-7.85 103-1012 83-83 8.55-8.65 611-62 123-13 6.45 1112-113	7.657.60 103-103- 93-93- 856-9.65 63-68 134-134- 107-103- 114-114	7.958.10 114-12	820-840 11-11-2 91-95 905-9-15 631-7-3 104-108 12-12-4	8.55-8.75 11.4-12	8.00 9.50 - - -

LUNDUN MUNEY KAIRS										
Feb 14	Guesioleht	7 days notice	One Month	Three Months	Six Months	One Year	-			
ink Offer	15½ 14 14¼ 15½	14% 14% 14% 14%	1541 145 145 145 145 145 145 145 145 145	154-15-15-15-15-15-15-15-15-15-15-15-15-15-	1515151 - 1415 1515151 - 1415 141517	151 15 15 15 15 15 15 15 15 15 15 15 15				

Treasury Bills (sell); one-month 1411 per cent; three months 1413 per cent; Bank Bills (sell); one-month 1413 per cent; three months 1419 per cent; three months 1419 per cent; Treasury Bills; Average tender rate of discount 14.4756 p.c. ECGD Fixed Rate Sterling Export, Finance, Make up day January, 31, 1,990. Agreed rates for period Dec. 30, 1989 to January, 31, 1,990. E. (ii.) 16.43 p.c. Reference rate for period Dec. 30, 1989 to January, 31, 1,990. Scheme IV. 15.199 p.c. Local Authority and Finance Hooses seven days notice, others seven days fixed. Finance Houses Base Rate 152; from February 1, 1,990. Bank Deposit Rates for smart seven days notice 4 per cent. Certificates of Tax Deposit Steries 6; Deposit 5.100,000 and over held under one month 112 per cent; one-three months 13 per cent; three-six months 13 per cent; price-tyred months 13 per cent; Under £100,000 11½ per cent from Oct 9,1969, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

	NG GOLT FU 648s of 100	MUNES I	OPTIONS		\$190,000 \$190,000	TREASU 64ths of	RY BOND :	UTURES	OPT MINIS
ke 4 5 6 7 8 9	Calls-cattle Mar 3-25 2-27 1-31 0-46 0-16 0-02 0-01	450 3-60 3-13 2-32 1-58 1-27 1-04 0-50	Pets-se Mar 0-02 0-03 0-07 0-22 0-26 1-44 2-42 3-41	Ulements Jan 0-2h 0-36 0-53 1-08 1-34 2-03 2-44 3-26	Strike Price 91 92 93 94 95 96 97 98	Calls - 2 Mar 3-31 2-32 1-34 0-44 0-14 0-04 0-02 0-01	3-23 3-31 2-30 1-54 1-22 0-41 0-43 0-29	Pats -2 Mar 0-01 0-02 - 0-04 0-14 0-48 1-38 2-36 3-35	Jan 0-33 0-53 1-08 1-32 2-09 2-39 3-217
ated	volume tota	i, Cilk	1666 Pats	2993	Estimated	rolume t	nal, Calls	12 Pets 4	00_

LIFFE \$15 OPTIONS 625,000 (costs per \$1)

LONDON (LIFFE)

THREE MONTH STERLING 6500,000 paints of 100%

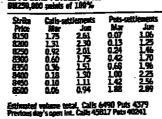
High 91.70 91.70 91.63 91.41 91.31 Pret. 91.68 91.64 91.57 91.37 91.24 91.24 91.24 91.14

Mar Sep Dec

Mar Jun Sep Des	98.62 88.61 88.91 89.07	88.64 88.65 88.92	88.59 88.56 88.85	98.62 88.62 88.94 89.07
	l volume 341 Szy's open is		1849	
	O MARIEX Mai index pel	H		
Mar Jes Sep	Clase 2310.0 2354.0 2399.0	High 2315.0 2355.0 2397.0	Lew 2297.0 2354.0 2397.0	Prev. 2292.0 2335.5 2381.8
	volume 342 lay's open in		2958)	
POUND-\$	(FOREIGN E	XERANGE)		<u> </u>
Cons	1 -46	2	4	77 -4

16965 1-fith. 3-fith, 6-fith, 12-fith. 16879 16700 16442 16000

LIFFE BUND FOTURES OF 190% GN250,000 points of 180%



LIFFE EUROBELAR OPTER Clas paints of 180% 0.92 0.46 0.25 0.08 0.04 0.05

1494/1625E YER (BII Y12.5m \$ pp Y196

Estimated volume total, Calls 150 Puts 0 Provincedor's come let., Calls 6006 Puts 7911 CHICAGO

HI99 94-24 94-19 94-11 94-02 93-23 94-05 93-33 93-25 93-25

ted volume 16767 (16178)

Birth Blk of Mid East . Brown Stipley CL Bank Nederland ... Charteriouse Bank CRUsank NA City Merchants Bank

Adam & Company Affied Trust Bank ... Affied Irish Bank ...

Henry Anshacher

Ansociates Cap Corp

 B & C Merchant, Bank

Banco Bilhao Vizcaya ...

Bank Happallm Bank Crestt & Corpus ... Bank of India . HFC Bank olc. Hambros Bank Hampshire Trust Pic ... Banque Belge Ltd ____ Bandays Bank ____ Bendasark Bank PLC __ Hongstong & Shangh

Leopold Joseph & Sons

Lloyds Bank

Mandania C. House & Co. Meghraj Bank Lid . McDonnell Dooglas Midland Bank

Duscas Lawrie
Equatorial Bask pic
Exercise Trest Ltd
Facustal & Gen. Bask Borral Trust Bank __ Robert Fleming & Co. Robert Frazer & Pines. Smith & Willness Sess.
Standard Chartened United Microbi Bank • Members of British Merchant Unisours of terusal mercana, Banking & Securitist Monses Association. * Deposit new 5.9%. Securitist Top The -C10,000-instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.45%

川油 88.82 88.93 88.96 87.06

BASE LENDING RATES

Co-operative Bank Contts & Co Cyturus Poperlar Bit Dumber Bank PLC

88.71 88.68 88.75 89.00

Electricity Generating Authority of Thailand U.S. \$60,000,000 Guaranteed Floating Rate Notes due 1988/1991

of principal and interest by The Ministry of Finance of THE KINGDOM OF THAILAND

Unconditionally guaranteed as to payment

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 16th February 1990 to 16th August 1990 has been fixed at 8.5625 per cent per annum. On the 16th August 1990 interest of U.S. \$430.50 per U.S. \$10,000 nominal amount of the Notes, and interest of U.S. \$10,762.59 per U.S. \$250,000 nominal amount of the Notes will be payable against Coupon No. 14.

Agent Bank Saudi International Bank AL-BANK AL-SAUDI AL-ALAMI LIMITED

FIRST CHICAGO CORPORATION

US\$200,000,000 Floating Rate **Subordinated Capital Notes Due 1997** Notice of Rate of Interest

Notice is hereby given that the rate of interest on the Floating Rate Subordinated Capital Notes due 1997 (the "Notes") issued by First Chicago Corporation for the interest period commencing 15th February, 1990 and ending on 15th May, 1990 has been determined to be 89/16 per cent per annum. The interest payment date for such interest period is 15th May, 1990. The interest amount, i.e. the amount of interest payable in respect of each US\$ 10,000 principal amount of Notes, for such interest period is US\$ 211.68.

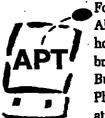
CHEMICALBANK

As Agent Bank for First Chicago Corporation.



EXTENDED TRADING HOURS

From February 15th the LIFFE Long Gilt Futures contract will be available for trading on APT, LIFFE's Automated Pit Trading System, between 4:30 and 6:00 pm Monday to Friday.



For further information regarding APT and the extended trading hours please contact your LIFFE broker, Nicola Todhunter (UK Business Development) or Philip Bruce (Technical Services) at LIFFE on 01-623 0444.



11 GROSVENOR GARDENS, LONDON SWIW OBD Tel: 01-828 7233 AFBD member FTSE 100 WALL STREET Feb. 2624/2636 +8 Mar. 2634/2646 +8 Feb. 2290/2300 N/C Mar. 2300/2310 N/C 5pm Prices. Change from previous 9pm close

179 262 367 4,95 6,47 8,18 10,06

Pats June 0.66 0.93 1.31

3,16 62,140

Rat Westminster
Horthern Bank Ltd
Herrich Gev. Trost
Hybredik Hortspage Bank
Hybredik Hortspage Bank
Provincial Bank PLC
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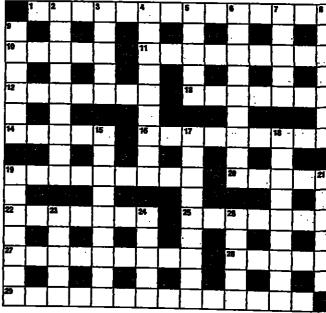
FT-SE 100 Where next?-Call for our current views

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London
SWIH ONW
The OL 200 2221

JOTTER PAD

CROSSWORD

No.7,165 Set by GRIFFIN



ACROSS
1 Palmists say cashlers are after a lot of money (7,7)
10 Bird on a pole is worth 25p

(5) 11 Repeating it on irate broadcast (9) Bank tiny amount including

sovereign (7)

13 Against fighting in that new building (7)

14 In company you use ruddy Latin, I believe? (5)

16 Add fictitious details making building (7) ing bride more uneasy (9) One obeying doctor's

orders? (9) 20 Support for artist after the rest left (5) When it's a tiny bit less soft, object (7)

25 A growing source of modesty? (3-4)
27 She can't sleep in Simon's woolly, Bill! (9)
28 Follow union leader seen staggering around (5) 29 Let Ann send cart round for

superior (14) DOWN 2 Not humming? (9)

3 On reaching middle age, volunteers go round here (5) Quiet isle one's not right to take vessel to (9)

Greek character (5)
6 A little unwilling to go on 7 Elizabeth said "I see a girl"

He races around with a

8 Nurse raised duty list with statesman (7) 9 Backing accountant and others I packed in producing

vinegar (6)
15 Defeats injuries to move score (9) 17 Shameless bachelor looking

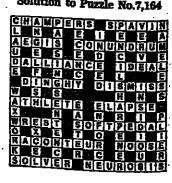
angry about impudence (9). Sipped, say, to shift indiges tion (9)
19 Attack, rising first, someone

like Pepys (7)
21 Stole note paper (pink)
before taking cover outside 23 Something useful turned up

for her (5) 24 Pick French sleeping accom-modation in Central Greece

26 Inexperienced engineers inserted information (5)

Solution to Puzzle No.7,164



EBRUARY IS IN

a Long Gill Falma True go gains ing System, enday to Friday. cturation teaming Mended hading entact you life Todhumer (UK ್ ೨೦೮೫೯೨() ೧೯ Pechnical Services -623 6444

7233 AFSD mente

JOTTER PA

ORD GRIFFIN

WORLD STOCK MARKETS

<u> </u>		WORLD STOCK MARKETS						
AUSTRIA February 14 Sch + ar - Restrict Millies	FRANCE (continued) Filteraty 14 Fis. + or ~			SWEDEN + February 14 Kreser + ar -	CANADA			
Continuous Con	Aurillared Ent. 985 4 866 453 -9 858 558 -711 13 8 auchire Cir 550 9 800 Westley 1 400 415 British Say 740 415 Carefan 101 4 Catelan 101 4	Bayer 1902 41	Saffa A 10,800 -100	AGA B (Free)	### States Stock High Lew Close Cang Sales Stock Fligh Low Glose Chang Sales Stock High Low Glose Chang **TORONTO** ### Apm prices February 14* ### Alide AMACA for 1995 355 385 - 5 ### Alide AMACA for 1995 355 385 - 5 ### Alide AMACA for 1995 355 385 - 5 ### Alide AMACA for 1995 355 385 - 5 ### Alide AMACA for 1995 355 385 385 385 385 385 385 385 385 38			
Barrack Self. Int. Left 14,600	Conf. Conf	Degissi	AMRV	SWITZERLAND Feb. + or -	SOUJ BC Surger A Strift 114 14 14 15 15 15 15 15			
Do. AFV 2 0.020 0.00	Sammar Clock 1.000 +2	Linder 155 156 157 156	#### Persharit #7.00 -0.6 ####################################	Fortio	1000 C Nor West 385 385 385 18 18 18 18 18 18 18			
De AFV 2 12,750 15,750 15,250 1	Martine 1,278 423 Martiner 130 1-2.5 Martiner 130 1-2.5 Martiner 130 1-2.5 Martiner 130 1-2.5 Martiner 1870 1-2.5 Martiner 1870 1-3.5 Martiner	Departmental Berl 342 1 1 1 1 1 1 1 1 1	1200 1 127,00 7 127,00 7 127,00 7 127,00 7 128,00 1	Schinder (8r) 5,550 -10 0 0 0 0 0 0 0 0 0	### ### ##############################			
FLS met. 8	Rinner-Poist (Cicl	### February 14 Lira + sr - #February 14 Lira + sr - #Basea Cont te 4,835 - #Basea Asz Aget 9,220 -170 #Basea Haz Aget 9,220 -170 ### Basea Haz Aget 9,220 -170 ### Basea Haz Aget 9,220 -170 ### Basea Haz Aget 9,220 -170 ### Light 12,70 -5 ### Light 12,70 -5 ### Light 1,700 -10 ### Light 1,700 ### Light 1,700 -10 ### Light 1,700 ### Light	February 14 Pis. % + sr -	February 14 trand + er - Abertom 1.25 - 0.1 Abertom 1.25 - 0.1 ABE 1.25 - 0.4 Affect Tech 74 - 0.4 Affect Tech 74 - 2 Anglin Ann Corp 1.24.5 - 7.5 Anglin Ann Corp 1.25 - 2.75 Battlett 52.25 - 2.75 Battlett 52.25 - 2.85 Declarate Gold 12.5 - 2.85 Declarate Gold 12.5 - 0.5 Eastleyand Gold 15.5 - 0.5 Eastleyand Gold 15.5 - 0.5 Eastleyand Gold 50.5 - 3.5 Eastle Corp Corp 1.35 - 3.5 Eastle Corp 1.35	House South 1063 21 1084.10 1075.75 1088.19 120 112 120 11899 120 11			
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Caution reigns in subdued session

Wall Street

A QUIET day on Wall Street saw equities trading in a narrowly mixed range as traders remained cautious after the inkruptcy protection filing by Drexel Burnham Lambert, writes Karen Zagot in New

The Dow Jones Industrial Average closed up 0.22 at 2,624.32, against a gain on Tuesday of 4.96 to 2,624.10. Volume on the New York Stock Exchange was moderate, with 92m shares changing hands.

Of the other market indices, only the Standard & Poor's 500 posted gains throughout the day, closing up 0.99 to 332.01. The New York Stock Exchange Composite fell 0.36 to 183.21 and the American Exchange Composite lost 0.33 to 358.78.

The stock market's decline came on the back of weaker prices for government bonds, following the news that Drezel Burnham Lambert had filed for bankruptcy protection. The Treasury's beliwether 30-year bond slipped & to yield 8.39 per

stronger note, with the Dow gaining about 15 points in the morning with support from increased buying in the technology sector, especially in International Business Machines IBM gained \$% to \$103% in active trading. The January high for IBM shares was \$101%.

A number of other technology stocks rose yesterday morning. Compaq Computer gained \$1% to \$87%, Cray Research rose \$% to \$46%, Hewlett-Packard was up \$% to

Several blue chip issues posted gains in morning trad-ing before falling later. American Telephone & Telegraph was unchanged at \$40, Coca-Cola, rose \$% to \$67%, Procter & Gamble was up \$1/4 to \$65%, and Boeing added \$1% to \$63%.

First Interstate Bankcorp was one of the most active issues on the New York Stock Exchange throughout the day. Shares in the company jumped \$2 to \$34% following an offer-ing of 7.5m common share at \$33 apiece. An affiliate of Kohl-berg, Kravis, Roberts will buy 3.38m of the shares and will Equities started the day on a hold a 10 per cent stake in

First Interstate. Great Northern Nekoosa gained \$2 to \$64 in active trading. Late on Tuesday the company authorised Goldman Sachs to solicit higher take-over hids. Georgia-Pacific has offered \$63-a-share for the com-

UAL, parent of United Air Lines, slid \$2% to \$131% after reports that the company's chairman, Mr Stephen Wolf, was unlikely to be a potential participant in an employee buy-out of the United Airlines

ASA, which invests in South Africa stocks, dropped \$2% to \$59, after plunging more than decline reflected continued selling of South African Gold A number of other precious metals issues also moved

lower, including Homestake Mining, down \$% to \$22%, Battle Mountain Gold, off \$1/2 to \$17 and Newmont Gold, which lost \$\% to \$56\%.

DeSoto gained \$1\% to \$40\%, after the company's board said DeSoto should pursue a \$50-a-share takeover hid by Sutton

Among other features stocks Centrebank rose \$14 to \$81/4 on reports that interstate banking is likely to be approved by the Connecticut legislature sooner than expected.

Thomson McKinnon Asset \$4% after a report that the partnership's share price was not low enough to attract an

Canada

SHARE prices showed little movement during the Toronto session, with the 300 composite index closing down 1.48 to 3,750.38, with falls outnumbering advances 355 to 287. The volume of 22,764,000 shares was down from Tuesday's 26,672,000 shares. Trading value also tell to C\$228.6m from C\$322.8m.

Management plunged \$1 to outside buyer.

Among metal producers, Noranda rose C\$% to C\$21% and Alcan climbed C\$% to

Maple Leaf Gardens gained C\$2 to C\$48% in thin trading. An Ontario court has found company president and chief executive Harold Ballard incompetent of managing his

ASIA PACIFIC

German interest enlivens Europe

Simon Greaves analyses a set of strong turnover figures for January

EUROPEAN EQUITIES TURNOYER

Monthly total in local currencies (bn)

1990

83.97

224.4

30.7

Dec 1989

58.7

10.6 443.4

27.1

HE record-breaking run by West Germany generated stock exchange turnover worth DM224bn in January, while activity improved in most other Euroan countries with the excep-

tion of France. West Germany's turnover total was a 43 per cent improvement on the December level, two-and-a-half times the level in the same month in 1989 and easily the busiest month on record for the country's eight stock markets.

The prospect of German reunification after the breach-ing of the Berlin Wall in November and the collapse of Communism in eastern Europe were enough to tempt many local investors into the market for the first time since the worldwide October mini-crash.

Renewed domestic interest coincided with sustained buying pressure from overseas individuals and institutions, eager to establish footbolds at the gateway to the East. Mr James Cornish of County NatWest WoodMac says: "West Germany saw a very rapid day-by-day rise at the begin-

Issues with good earnings

and low price/earnings ratios were popular. Tokyo Steel, the

electric furnace steel maker,

has become representative of

such issues. It firmed Y40 to

Y5.650 as investors anticipated

the scrip issue planned for the end of March.

manufacturer specialising in nailers and staplers, surged

Y330 to Y3,100 in active trad-

ing. It was favoured for a likely

10.5 per cent rise in recurring

profits in the year to March. Max also has a relatively low

Activity in Osaka picked up

on interest in high-tech electri-

cals. But buying in that area

was not enough to overcome

selling pressure elsewhere, and the OSE average ended 131.86

Max, an office equipment

ning of January, then, after the first 10 days of the month, it moved back to more normal levels. "We then had another enormous pick-up in turnover at the end of the month. There were two sharp surges which

both coincided with foreign

buying interest, particularly from Japan, but also from the UK and the US."

trated on well-known stocks

such as Siemens, Volkswagen or Deutsche Bank.

The emergence of political instability in the Soviet Union

MOST REGIONAL markets

moved higher, with Australia

regaining some confidence

after its recent weak spell.

AUSTRALIA rose for a second day, as a weak local dollar and hopes of lower interest

rates encouraged investors. The All Ordinaries index

closed at its day's high of 1,636.7, up 8.5. Active trading in bank shares boosted volume

to 111m shares worth A\$225m,

compared with Tuesday's 91m

and A\$171m. In the banking sector,

National Australia rose 4 cents

to A\$6.56 with 3.04m shares

traded, including a special sale of 2.5m shares, and Westpac

Japanese buyers concen-

Belgium

Italy Netherlands

Switzerland

France

Spain

and doubt about the future of President Mikhail Gorbachev's leadership only trimmed share

prices marginally.
Mr Jens Wiecking, a director of Merck Finck, the West Ger-

man private bank, says that

1989

110,9 13,260 16.1 419

26.2

70.0

Oct 1989

89.6

104.6

19.2 522.0

20.8. 32.2

from the middle of December

volume was swelled by heavy demand for blue chip stocks

and warrants. "This was fol-

lowed by a period in which

there were large increases in

both trading levels and volatil-

tions reduced holdings in

per cent from its year's high. Adelaide Steamship also con-tinued to recover after announ-

cing results on Tuesday,

Bougainville Copper dropped 5 cents, or 4 per cent, to A\$1.20 after reporting a loss on Tues-day and warning that the costs

of reopening its Papua New Guinea mine, which has been

closed by violence since May, would be high, while a failure to resume mining there would

significantly reduce the value

of its assets.

NEW ZEALAND welcomed

profits figures from Fletcher

Challenge, the country's big-

gest company, but share prices finished off their day's highs.

化水平线 医多头畸形 机工具连续 化多次

The Barclays Index ended at

adding 8 cents to A\$5.30.

Germany gained as institu-

20,010

- Sep -1989

85.2

145.8 104.5

France, which was the only European country in which volume shrank during January. Investors in France were preoccupied by interest rate worries.

he intensifying interest in West Germany spilled over into neighbouring markets such as Switzerland, the Netherlands and Belgium. Activity in the Netherlands, particularly among local investors, was also boosted by selling last month as the market resled, offer a series of dissempinting after a series of disappointing statements from leading com-panies, while fixed interest investments became more attractive. Turnover recovered almost to the level of the bus-

ier months of last year. Italy found encouragement in better trade figures, and returned to last autumn's respectable levels. Turnover in January was more than 55 per cent up on the December total. One analyst said: "There was quite a lot of interest from foreigners coming into the market in January, although this has sipated recently.

Seng index added 6.88 to

2,870.43 on turnover of HK\$868m, up from Tuesday's

cents to HK\$2,121/2 after minor-

ity shareholders rejected Evergo's offer of HK\$2.80 a

TAIWAN rose in moderately

busy trading. The weighted index, which had fallen 297.57

on Tuesday, gained 104.95 to 12.231.91, recouping a decline of 188 points in the first hour of

the session.

MANILA shares were mixed

in fairly active volume, with interest focusing on Kuok Phil-

ippine Properties on its first day of trading. Kuok closed at 1.08 pesos, up from its float

Chinese Estates fell 27%

- 15 55.78

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Perrier and GBL retreat further in active trading

SOURCE PERRIER and Groupe Bruxelles Lambert dominated trading in France and Belgium, as share prices of both contin-ued to slide, writes Our Mar-

kets Staff.
PARIS watched Perrier's share price plummet again, before a late rally. However, news that the company was withdrawing its mineral water stocks worldwide, which it said would cost it about FFr400m before tax, came after the mar-

ket had closed. The market had a nervous day, as worries about higher interest rates persisted, but shares managed to close slightly higher. The CAC 40 index rose 8.56 to 1.853.99 in mediocre turnover of about

Perrier trimmed an early 9 per cent fall to 4 per cent, or FFr60 to FFr1,413 at the close, a decline of 16.5 per cent so far this week. Trading in the issue was active, with 269,125 shares exchanged. The company's West German distributor said vesterday that it had found traces of benzene in Perrier water, following similar discoveries in the US at the weekend. Eurotunnel retreated by FFr3.55, or 6 per cent to FFr56.10 on talk of financing difficulties. L'Oréal dropped FFr164 to FFr4.480 on market disappointment with its sales figures. "At the moment, the market will pounce on anything that looks slightly disap-

pointing, and mark it down savagely," said one observer. Pechiney, the metals group, ained FF7.40, or 5 per cent, to FFr153.40 after reporting good

turnover figures.

BRUSSELS again finished lower, with Groupe Bruxelles Lambert, the holding company, down a further 3.2 per cent after announcing that it would write off entirely its 20 per cent stake in Drexel Burnham Lambert, the troubled US securities group, at a cost of BFr3.2bn.

The cash market index ended down 50.01 points lower at 5,800.06 after its 2.9 per cent fall on Tuesday. Trading in GBL was a relatively heavy 28,250 shares as it lost BFr130

FRANKFURT drifted down after a positive start, and the DAX index eased 8.75 to

per grouping

Australia (84). Austria (19)....

Denmark (36)

Hong Kong (48)... Ireland (17).....

Finland (26)

italy (96).... Japan (455

Norway (24)..

Singapore (26).... South Africa (60).

Switzerland (62).

Nordic (121)..... Pacific Basin (687)... Euro – Pacific (1656)

Europe (989)

1.832.23. following a 7.42 fall to 769.05 in the FAZ at midses-

the ramifications of monetary union between East and West Germany, and foreign investors were reluctant to take positions before today's Bund-

"Many people are now resigned to the fact that Geraround," an analyst said. The banking sector again

ket worries. Deutsche Bank closed DM8 lower at DM795.50. Automotive companies were mixed, but BMW again moved against the trend on several large buy orders from Japanes

ing on the last day of the February account, with the Comit

meeting with the Italian Pre-mier, Mr Giulio Andreotti.

THE JOHANNESBURG market plunged, with the JSE Gold index falling 108 to 1,921 while the Industrial index slid to 3,051, a fall of 84.

to sell stock amid concern over Mr Nelson Mandela's hard-line stance on talks with the South African Government and the issue of nationalisation.

WEDNESDAY FEBRUARY 14 1990

215.73 120.25 122.31 222.61 124.17 130.94 112.51 118.54 171.86 88.57 167.50

251.27 1116.27 117.88 60.61 208.34

167.59 159.04

127.78 171.19 88.94 138.88 134.35

123.94 216.97 121.93 122.29 221.85 131.15

128.32 113.15 103.33 168.90 83.48 160.54

210.86 326.71 119.85

56,08 207.65 170.64 178.03 138.29

164.99 84.03 138.88

117.41

123.93

169.72 157.03 143.97

113.69

-0.88 +0.05 +0.03 +0.03 +0.03 +0.03 +0.04 +0.01 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03

+0.2

141.82 248.27 139.52 139.94 253.85 150.08 146.83 129.46 118.24 193.26 95.52 183.70 241.28 573.84 137.81 195.26 203.72 155.96 188.80 98.15 158.82

134.35

141.81

Sentiment was dampened by continued uncertainty about

man interest rates are going up uncertainty and nervousness

investors, closing DM4.50 higher at DM628.50. MILAN fell in moderate trad-

index down 2.69 at 663.86. Declines were marked in the chemical sector, with Montedi-son losing L20 to L1,891, falling to L1.878 after the close. Enimont fell L11 to L1,479 after Wednesday's shareholders' meeting on long-term strategy was adjourned early, pending a

Gold shares continued to slide. Vaal Reefs fell R21 to R379 and Deelkraal lost R2 to R16.50. Diamond share De Beers fell R2.85 to R63.5. In industrials, Barlows fell R2.75 to R47 and S.A. Breweries

Government over the reform of

bank meeting.

came under pressure because of interest rate and bond mar-

Stet, the telecommunications group, gained L63 to L4,983 on renewed discussions with the

SOUTH AFRICA

shed R1.50 to R36.

the telecommunications sector. sion. Turnover slipped from DM7.7bn to DM6.5bn. Benetton, the clothing retailer, rose L79 to L8,480 in the wake of Monday's news that it was pulling out of most financial services. AMSTERDAM ended mixed,

with the market still plagued by interest rate worries. The CBS tendency index closed unchanged at 108.7. Van Ommeren Ceteco, the

shipping, transport and trading group, was buoyed by continued takeover talk. It added FI 1.80 to FI 40.70. A strike at two Dutch brew-

ing units affected Heineken, down Fl 2.80 at Fl 105.20. ZURICH eased in light vol-ume, after a small rise in early trading. The Crédit Suisse index lost 1.0 to 609.9.

Union Bank's bearers gaine

SFr55 to SFr3,955 and its certificates added SFr5 to SFr146 on speculation over dividend prospects, and its policy on voting ther SFr145 to SFr1,610. It said

that its 25 per cent stake in Lambert Brussels Associates, which in turn holds about 35 per cent of Drexel Burnham Lambert, was too small to affect Pargesa's performance. OSLO closed mostly higher,

boosted by rises in markets abroad. The all-share index rose 2.64 to finish at 606.81. However, bank prices slid after Bergen Bank and Den norske Creditbank revised upwards their expected 1989 an losses by NKr360m to NKr3.26bn. The move indicates that the entire banking sector

may be weaker than expected. Bergen lost NKr7 to NKr187 and DnC fell NKr2 to NKr93. STOCKHOLM closed mixed in thin trading. Investors remained concerned about the unstable political situation,

which may lead to the Government's resignation. The Affärsvärlden General index fell 5.5 to 1,188.5 on turn-

over of SKr152m. MADRID weakened after the previous day's news of a 1 per cent rise in the January consumer price index and follow-ing declines in foreign mar-kets. The general stock index fell 0.74 to 282.60.

142.98 246.22 139.58 140.70 251.32 149.63 145.96 130.29 117.90 193.92 95.66

95.66 183.47 243.41 370.48 136.82 67.40 235.96 195.10

221.99 154.98

188.17 95.83 158.09

133.97

141,46

192.96 179.52

164.50 134.28 130.01

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries

CUITERCY

+0.6 +0.2 +0.3 +0.3 +0.3 +0.3 +0.1 +0.5 +0.4 +0.4 +0.4 +0.0 +0.3

Gross Div. Yleid

5.31 1.23 4.63 3.35 1.44 2.39 2.88 1.89 4.83

2.43 2.59 2.11 0.48 4.58 5.80 1.37 4.35 4.11 2.05 2.456 3.53

3.46 1.75 0.73

1.68 3.52 2.72

in six years. Investors were also attracted by rumours of speculators looking into the issue. Akai closed Y10 higher

at Y1,030.

REPORTS that Drexel Burnham Lambert was considering Chapter 11 bankruptcy protection in the US put a further dampener on Japanese inves-tor sentiment yesterday, writes

by the afternoon, and rose moved within a narrow range

2.010.3.

ternoon.

tive to encourage them back into the market," said an anaelection poll coming out today, and the run-up to company results due in March could pro-

Prices slide as investors take fast profits

Roundup

Michtyo Nakamoto in Tokyo. The Nikkei average opened slightly higher, drifted lower again on a late bout of index-linked buying to end with a modest gain of 48.86 at 37,155.89. During the day it from a high of 37,183.26 to a

saw a marginal gain of 0.97 to 2,723.30 and, in London, the

of the day, but in an uncertain market environment investors largely chose to take their profits fast; it was small-lot selling which took prices lower in the

Although the news about

emerged, four appearing on the top volumes list. Toshiba led with 14.9m shares but closed Y10 lower at Y1,180. However it was pursued during the day and reached a high of Y1,210, up Y20. Sharp followed with a turnover of 11.6m shares and

Akai Riectric, specialising in audio equipment and video cassette recorders, advanced to an all-time high of Y1,070, up Y50, during the day. Akai has been making losses, but in addition it has been reconstructing its business under the direction of Mitusibishi Electric, a significant share-holder. The company is expec-ted to eliminate its recurring

Celeser High

160.41

159.16 157.97 137.01 140.33

198.57 102.11

102.11 200.11 243.87 373.84 145.66 88.18 241.53 199.38 251.39

206.95 99.12 164.31 146.29

146.68

174.18

140.05

173.77 162.00 161.84 145.52

126.05

126.05 215.36 120.99 122.26 221.92 124.43 130.51 113.56 118.23 173.05 89.00 167.40 253.54 1105.92

117.97 60.29 207.46 167.68 166.47 127.28 171.18 88.91 138.61 133.97

124.09

165.80 163.92 148.05 133.24 115.07

220.35 131.19 127.97 114.23 103.37 170.02 83.87 160.86 213,41 324.82 119.96 59.09 206.88 171.05

194.63 135.88 164.98 84.02 138.61 117.46

124.03

128.28

92.84 125.58 124.67

185.35 118.63 112.57 79.56 86.41 125.00 74.97 164.22 143.35 153.32 110.63 139.92 124.57

115.35 143.14

133.28 112.13

112.63

141.56 112.79 96.30

111,93 141,49 136,98 136,67

146.09 96.89 136.68

135.15 158.60 146.43 115.71 85.53 129.32

129.32 138.53 80.05 198.32 156.55 161.61 113.04 74.20 159.13 140.81

124.59 146.51

150,49 77,25 151,59 119,79

119.81

146.51 193.28

163.87 120.61

100.26 133.01 162.49 145.54 146.20

cent, rose 8 cents to NZ\$4.23. HONG KONG edged higher 47.4m shares, up from the 34.9m traded on Tuesday. a second session, picking up 40 cents to A\$10.55. By Monday's close, the stock had fallen 32 but turnover remained below last week's levels. The Hang

low of 37,018.25. Volume improved from Tresday's 297m shares to 375m, the Topix index of all listed stocks ISE/Nikkei 50 index rose 5.06 to

Stability on the currency front joined index-linked buying to form the main supports

Drexel Burnham Lambert had no direct effect on the market, it did trigger a downturn in bonds, which washed through into equity sentiment.

"Investors need some incenlyst at Sanyo Securities. An vide that incentive, he added. Some interest in electricals

fared better, climbing Y30 to

price of 1 peso, but below its opening price of 1.12 pesos. The eased 6 cents to A\$5.64 on vol-1,879.41, up 7.05, after rising ume of 3.5m shares, including about 20 points earlier. Fletcher Challenge, which said one block of 3m shares. composite index rose 2.97 to first-half profit had risen 9 per News Corp, which reports

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169.18 157.39 144.22 117.73 113.99 115.77 194.20 179.69 164.74 134.59 130.09 131.45 164.39 152.05 166.07 164.04 148.08 133.60 114.77 120.59 +0.6 +0.1 +0.2 +0.1 -0.4 +0.0 +0.1 +0.2 +0.1 +0.3 -0.3 +0.4 Europe Ex. UK (683) 4.74 1.75 2.06 2.29 3.54 132.04 164.35 151.98 152.06 138.03 120.16 147.86 143.47 142.80 Pacific Ex. Japan (212)... 114.88 143.66 132.86 144.10 133.23 World Ex. US (1849)...... World Ex. UK (2085)..... World Ex. So. Al. (2331)... 147.61 143.54 142.95 130.53 +0.0133.32 152.33 138.15 133,69 The World Index (2391)... 152.64 2,30 152.49 143.06 133.40 +0.1 Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1990 Prices for Finland & Sweden were not fully updated following problems at the exchanges.